Austria ... Sch. 20	Indonesia .. Rp 3100	Philippines . Pes. 20
Bahrain .. Din.0.650	Israel .... IS 3.50	Portugal .. Esc 100
Belgium ... BFr.45	Italy .... L 1500	S. Arabia .. Rls 6.00
Canada ... C$1.00	Japan Y550	Singapore . S$ 4.10
Cyprus ... C£0.75	Jordan ... Fils.500	Spain ..... Pta 125
Denmark .. Dkr.8.00	Kuwait .. Fils.500	Sri Lanka ... Rup 30
Egypt .... E£1.00	Lebanon . £L 25.00	Sweden .. Skr 7.00
Finland .. Fmk 6.50	Luxembourg . LFr.45	Switzerland SFr 2.20
France FFr. 6.50	Malaysia . Rls 4.25	Taiwan ... NT $85
Germany DM 2.20	Mexico Pes. 300	Tunisia .. Din 1.375
Greece ...... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India ... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,099 — Tuesday December 2 1986 — D 8523 B

US steel industry war, Page 8

World news | Business summary

UK Tories close ranks over spy book

The UK Government closed ranks in the face of renewed opposition attacks on its handling of the M15 spy book affair.

Sir Michael Havers, the Attorney General, dismissed Labour Party calls for his resignation and denied the issue had created a rift between him and Prime Minister Margaret Thatcher.

Former Australian Prime Minister Gough Whitlam told the Supreme Court in Sydney that publication of the book by retired British agent Peter Wright would be in Australia's interest. Page 4, 20

Natal rejects plan

Complex plans for a non-racial Natal legislature to replace the present division between black and white have been rejected by the provincial leader of South Africa's ruling National Party. Page 4

Fraga may quit

Manuel Fraga, beleaguered leader of Spain's right-wing opposition, is considering resigning after his party's setback in Sunday's Basque regional elections, a party spokesman said. His party lost five of their seven seats as the Socialists emerged on top.

Chirac pledge fails

Despite a promise by Prime Minister Jacques Chirac that his government was ready to revise draft legislation for changes in higher education, students in the main French universities voted to press ahead with strikes and protests. Page 3

Beirut camps hit

Tanks pounded Palestinian refugee camps in Beirut, while south Lebanon was paralysed by a general strike in protest against the "camps war". Palestinian and Shia Amal sources accused each other of trying to seize fresh ground. Page 4

Threat by Tehran

Iran repeated a threat of retaliation against countries helping Iraq in the Gulf War, with a Tehran newspaper forecasting a missile attack on any Arab state proved to have collaborated in a recent raid on the Larak Island oil terminal.

Bonn airbus move

The West German Government is exploring ways of bringing big domestic companies such as Siemens and Daimler Benz into the financing of the European Airbus manufacturing programme. Page 7

Delhi protest

Police fired warning shots in New Delhi to disperse unruly crowds angered by Sunday's massacre of 24 Hindus by Sikh separatists in Punjab state. Indian Prime Minister Rajiv Gandhi promised harsh measures against extremists.

Greek seamen strike

A 48-hour strike begun by Greek seamen will affect about 2,000 vessels around the world. Greek state television and radio were blacked out for eight hours in a separate dispute.

Appeal denied

The US Supreme Court refused to hear an appeal by alleged Nazi concentration camp commander Karl Linnas, 66, thus clearing the way for his deportation to the Soviet Union where he faces the death penalty.

Soviet chess win

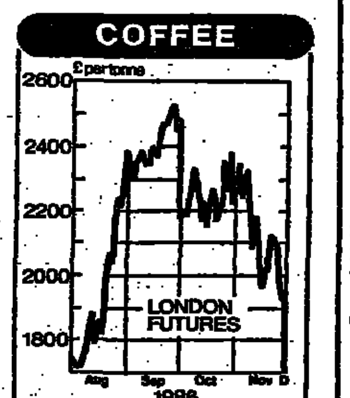
The heavily-favoured Soviet Union crushed Poland to win the 27th chess Olympiad in Dubai, taking the gold medal for the fourth successive time. They edged England out by only half a point with the US third.

CGCT sell-off faces new obstacle

CGCT, troubled French state-owned telecommunications group, is likely to remain under French control following objections by the government's legal advisers to the sale of more than 20 per cent of the company abroad. Page 20

AMERICAN Brands, diversified tobacco group, stepped up its assault on Chesebrough-Ponds by launching a $2.8bn tender offer for the consumer products group. Page 21

COCA-COLA, world's largest soft drinks group, will record a $376m gain after the completion of an initial public offering of a 51 per cent stake in its soft-drinks bottling subsidiary. Page 21



COFFEE futures prices continued to slip under the impact of readily available supplies. The January position closed $39 lower in London at £1,931.550 a tonne. Market and Tea prices report, Page 32

WALL STREET: The Dow Jones industrial average closed down 1.55 at 1,912.68. Page 40

LONDON: A wave of selling of Guinness shares hit the market on the news that the UK Department of Trade plans an inquiry into the brewing group. The FT-SE 100 index closed 18.9 down at 1,617.8 and the FT Ordinary share index fell 19.7 to 1,272.5. Page 40

TOKYO: Late anxiety over high prices drove equities lower for the first time in four sessions. The Nikkei market average fell 17.52 to close at 18,307.98. Page 40

DOLLAR closed in New York at DM 1.9675; SFr 1.6390; FFr 6.4425; and Y162.25. It fell in London to DM 1.9660 (DM 1.9730); to FFr 6.44 (FFr 6.4625) and to SFr 1.6375 (SFr 1.6420). It rose to Y162.20 (Y162.00). On Bank of England figures the dollar's index fell to 109.7 from 110.0. Page 33

STERLING closed in New York at $1.4380. It rose to $1.4380 ($1.42975) in London. It also rose to Y233.25 (Y232.25); remained unchanged at DM 2.8275 and SFr 2.3550, but fell to FFr 9.26 (FFr 9.2650). The pound's exchange rate index fell 0.2 to 67.9. Page 33

GOLD rose $2.50 to $391.75 on the London bullion market. It also rose in Zurich to $395.65 ($390.25). In New York the Comex February settlement was $397.5. Page 32

PIRELLI'S UK tyres subsidiary is to launch next year a $50m five-year investment programme to produce car tyres on flexible, automated assembly lines. Page 11

ARGENTINA is seeking $1.55bn from the International Monetary Fund as a new standby loan as well as $350m in compensatory finance for the heavy fall in export earnings suffered over the past year. Page 6

PLATE GLASS and Shatterprufe Industries, the South African glass and building materials distributor, recorded interim pre-tax profits up at R56.3m ($25.3m) from R39.7m for the corresponding period in 1985. Page 21

AE, engineering group involved in the bid battle between Hollis Group and Turner & Newall, reported pre-tax profit of £29m in the year to September 30. Page 26; Lex, Page 20

OIL: control of the Brent market has passed from North Sea producers to Wall Street traders, according to the newsletter Petroleum Argus. Page 32

London launches investigation into Guinness affairs

BY CHARLES BATCHELOR IN LONDON

THE UK Government yesterday launched a wide-ranging investigation into suspected misconduct in the affairs of Guinness, the international brewing and spirits group which seven months ago won control of Distillers after a £2.5bn ($3.5bn) bid battle.

Two Department of Trade inspectors arrived at Guinness's London headquarters at 9.30 yesterday morning and demanded access to the company's files in a move which caught the company and the City of London by surprise.

Department of Trade investigations into major public companies are an extremely rare event. Guinness shares closed at 295p (down 35p) yesterday and contributed to a 19.7 point fall in the FT Ordinary share index to 1,272.5.

The Trade Department also announced that it had brought into immediate effect provisions in the Financial Services Act which would allow its inspectors to disclose information to other regulatory bodies. The Act as a whole does not take effect until next month.

This is the second time that the Government has brought forward implementation of parts of the Act. Last month it introduced the insider dealing provision in the wake of the Geoffrey Collier insider dealing scandal at Morgan Grenfell, the merchant bank.

The Guinness inquiry follows growing concern about the regulation of the City's affairs and comes three weeks after the Geoffrey Collier affair erupted, and in the wake of investigations in New York and London into the affairs of Mr Ivan Boesky, the Wall Street share dealer. Mr Boesky is known to have bought Distillers' shares in the course of the Guinness bid. Morgan Grenfell acted for Guinness in the Distillers' bid.

News of the Guinness investigation broke early yesterday when Mr Michael Howard, the Minister responsible for corporate and consumer affairs, announced the appointment of Mr David Donaldson, QC, and Mr Ivan Watt, of accountants Thomas McLintock, as inspectors.

The Department of Trade said: "The purpose of the investigation is to examine circumstances suggesting misconduct of the affairs of Guinness in connection with its membership (shareholders)".

The inspectors will be carrying out their work under sections 432 and 442 of the Companies Act 1985. These sections provide for an investigation into suggestions that company officials have been guilty of "fraud, misfeasance or other misconduct towards the company or its shareholders, or when shareholders have not been given all the information they might reasonably expect."

Under these sections, the inspectors may investigate "any circumstances suggesting the existence of an arrangement or understanding which, though not legally binding, was likely to be relevant to the investigation."

Guinness has been dogged by controversy for much of this year. It fought a bad-tempered takeover campaign for control of Distillers against a rival offer from Argyll, and then ran into strong criticism for reneging on a pledge to appoint Sir Thomas Risk, Governor of the Bank of Scotland, as chairman of the merged group.

Lex, Page 20

Perot rejects GM bid to buy him out for $700m

BY ANATOLE KALETSKY IN NEW YORK

GENERAL MOTORS yesterday reorganised its management structure and paid more than $700m to its biggest shareholder and most relentless critic, Mr H. Ross Perot, in a move designed to silence Mr Perot's dissidence in the group's Detroit boardroom.

The colourful Mr Perot immediately responded with his biggest challenge yet to the GM "establishment", which he has been needling for much of the past year. In one of the most unusual manoeuvres in US corporate history Mr Perot – founder of Electronic Data Systems, a computer service company which GM acquired two years ago for $2.55bn – announced that he could not, in conscience, accept GM's money.

Mr Perot tendered his resignation as a GM director and as chief executive of GM's EDS subsidiary yesterday in response to the board's request. But he placed the $700m which GM had agreed to pay him into an escrow account for two weeks to give GM directors time to review their decision.

Mr Perot said GM should reconsider its offer to pay him $700m for his stake of just under 1 per cent "at a time when GM is closing 11 plants, putting over 30,000 people out of work, cutting back capital expenditures, losing market share and having problems with profitability."

Although GM is considered unlikely to change its mind about its proposals, Mr Perot's public objections to the buyout are likely to increase dissatisfaction with GM management among the company's shareholders.

One Wall Street analyst said many institutions shared the view of Mr Perot, a popular figure among investors, that GM management had become complacent and bureaucratic and lacked a coherent corporate strategy.

GM common shares fell more than $1½ to $71 after the buyout announcement, while GM's E shares, whose value is linked to the performance of the EDS subsidiary, fell in heavy trading by more than 10 per cent to $27.

The price offered for Mr Perot's E shares, however, will be equivalent to more than $60 and will bring forward a payment which Mr Perot was supposed to have received only in 1991 under the terms of an agreement reached when he originally sold EDS to GM.

From GM's perspective the deal may nonetheless appear attractive, not only because it should put an end to Mr Perot's unsolicited advice on issues ranging from car designs to managerial bonuses, but also because EDS has performed strongly since the 1984 acquisition and is arguably worth much more today than the $2.55bn GM paid for it.

The changes announced yesterday, in addition to the repurchase of Mr Perot's Class E stock, included a managerial restructuring which will group all GM's high-tech and electronic subsidiaries in a new unit.

Perot magic loses appeal, Page 21

Saudis to buy submarine force

BY DAVID BUCHAN AND RICHARD JOHNS IN LONDON

SAUDI ARABIA has invited shipbuilders from six European countries to submit competitive bids by December 15 for the provision of at least eight submarines, bases and training facilities, worth at least $1.4bn.

The move underlines the determination of the Saudi ruling hierarchy and, in particular, of Prince Sultan, Defence Minister and the third senior prince of the regime, to build up the kingdom's armed potential by the purchase of the most sophisticated military hardware, regardless of the squeeze on its finances resulting from the undiminished decline in oil prices.

The Saudi defence budget for the year to last March – not including all weapons acquisitions – was the equivalent of nearly $18bn or 20 per cent of gross domestic product. The country's appetite for armaments has grown as the Gulf conflict has dragged on, increasing the danger of regional escalation. But observers believe the military expansion is putting a growing strain on limited manpower resources in a state where the indigenous population is probably less than 7m.

The purchase of submarines would mark a major new phase in the build up of the Royal Saudi Navy. Riyah wants submarines so that it can deter any attacks on oil traffic in the Gulf and Red Sea.

Vickers Shipbuilding and Engineering (VSEL), the British bidder for the Saudi contract, is offering its new Type 2400 diesel-electric submarine, the first example of which is to be launched later today at Barrow in northern England. It has been ordered by the Royal Navy at a cost of a about £100m ($140m).

If VSEL were to win the Saudi contract, it would be the first UK sale of a new warship of more than 1,000 tonnes for more than a decade But fierce competition is expected, particularly from France and West Germany. The Saudi Government has also invited bids from Italian, Swedish and Dutch yards.

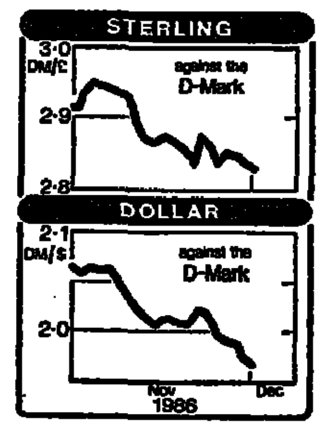
Other companies competing are:

- Howaldtswerke Deutsche Werft (HDW) of West Germany and its design partner Ingenieurkontor Lubek (IKL) for their Type 209;
- Thyssen Nordseewerke of West Germany with its Ula class;
- Direction des Constructions Navales and Thomson CSF of France for the Agosta 2000 or the daphne class;
- Kockums of Sweden for its A17.
- Fincantieri of Italy for its S102.
- Rotterdam Dockyard Company of the Netherlands for its Moray 1400.

The HDW/1KL Type 209 is the world's best selling submarine. Thyssen has supplied the Agentinian Navy and is supplying six boats of the Ula Class to the Royal Norwegian Navy. But both companies could fall foul of West German inhibitions about the sale of weapons to a "zone of tension."

On a visit to Saudia Arabia last week Mr Franz Joseph Strauss, the Bavarian leaader, was sharply critical of Bonn's policy of restraint on the question of weapons supplies.

He pressed the case for the Type 209 which has electronics made by Messerschmidt Bölkow Blohm,



$ falls to six-year low point

By Our Financial Staff

CONCERN about the credibility of the Reagan Administration in the aftermath of the arms-to-Iran deal continued to undermine the dollar yesterday and it fell to its lowest close in London for nearly six years.

Mr Robert Dole, Senate Republican leader, on Sunday urged President Ronald Reagan to recall Congress and set up a committee to investigate the Iran deal, refocusing attention on the affair after the Thanksgiving holiday period.

The gold price, which often reflects political concern, rose sharply yesterday and was fixed in London at $399.60 an ounce; up $10 from the previous fix. The dollar closed at DM 1.9660, its lowest in London since early January 1981, compared with Friday's close at DM 1.9730.

The dollar had touched a quoted low of DM 1.9555, but speculation that central banks might intervene to stop the slide discouraged further sales at this level. Central banks last bought dollars in a concerted move on October 7 when the dollar fell below DM 1.9800.

The D-Mark, which has the attraction of strong economic fundamentals and is relatively free from political risk, has been the main recipient of funds being switched out of dollars.

Sterling's lacklustre performance probably reflected political worry over the British Government's part in the Australian spy case as well as concern about the economy.

It fell to an all-time low of DM 2.8070 yesterday before recovering at the end of the day to its closing level on Friday at DM 2.8275.

The Bank of England did not appear to have been active in support of the pound although these kind of levels against the D-Mark are known to be of official concern. The Bank of England's effective sterling index ended at 67.9 compared with the close on Friday at 68.1.

Continued on Page 20

Money markets, Page 33; Share market report, Page 38

Reagan moves to defuse row over Iran arms

BY LIONEL BARBER IN WASHINGTON

PRESIDENT Ronald Reagan gave guarded support yesterday for the appointment of a special prosecutor to investigate the Iran arms affair, under growing pressure from Congress.

Mr Reagan, saying he was also considering calling a special session of Congress, added that he would welcome a special prosecutor if it was deemed necessary by the Justice Department.

The President's comments appeared aimed at defusing the controversy which has rocked his Administration as well as signalling to Congress that he is willing to co-operate with its inquires.

Mr Reagan said: "If we are to maintain confidence in our government's foreign policy apparatus, there must be a full and complete arring of all the facts."

Reagan was speaking gat a white House ceremony to launch a separate investigation by a three-strong "blue ribbon" panel of his National Security Council which was involved in secret arms sales to Iran. He has halted NSC covert opertions while the panel is conducting its inquiry.

Senator John Tower, the conservative Texan chairing the panel, said the inquiry would proceed with "cold objectivity", confining itself, however, to a study of NSC operations rather than establishing guilt or innocence.

The panel will look at previous NSC operations including the invasion of Grenada and the interception of an airliner carrying the hijackers of the Achille Lauro cruise ship last year.

Under fierce questioning from reporters, Sen Tower said that the panel would, if necessary, interview the President.

Senator Ed Muskie, the former US Secretary of State in the Carter Administration, said: "I assure you we have been promised (by the President) total access to anybody concerned with the operations of the NSC now and before today."

Pressure for the appointment of a special Watergate-style prosecutor has built up rapidly in recent days in Congress. Though Republicans and some Democrats are discounting parallels with the Watergate scandal which brought down President Nixon in 1974, they have expressed concern about the impartiality of the Justice Department inquiry led by Mr Ed Meese, the US Attorney General and close Californian friend of the President.

It is pointed out in Washington, both in the press and by congressional leaders, that President Reagan, unlike President Nixon, is still popular. The Iran affair, moreover, is a foreign policy controversy rather than a domestic issue concerning law-breaking and the use of slush

Continued on Page 20

Progress made on EEC trade barriers

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN trade ministers meeting in Brussels had by yesterday evening reached agreement on six out of a package of 16 measures to dismantle barriers to free trade within the EEC.

Progress on the package – which has in the past week been forcefully promoted by Britain in its eagerness to make headway on achieving a free internal market in the final month of its EEC presidency – was better than expected.

Delegates showed in most cases an unusual willingness to give up comparatively minor national objections in the interests of achieving a freer market.

Among the most important accords reached yesterday were measures allowing customs to seize and destroy counterfeit goods at the point at which they enter the Community.

This will be a significant blow to a malpractice which the European Parliament estimates has cost the EEC 100,000 jobs and which represents a world market worth some £40bn ($57bn).

Another crucial agreement will give microchip designers legal copyright protection, which will also have the effect of safeguarding EEC electronics companies' US exports. Others included a clampdown on unnecessary duplications of chemicals experiments, a European standard for tractor roll-over bars and stricter rules for hotel fire safety.

However, agreement was being held up on a wide-ranging group of six measures to open up cross-border trade in pharmaceuticals and streamline testing procedures.

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CONTENTS

Red star comes to the aid of party

Paul Betts in Paris profiles André Lajoinie, the favourite to lead the Communists in the race for the presidency

ANDRE LAJOINIE is the rising star of a declining party. President of the French Communist parliamentary group in the National Assembly, he has emerged as the clear front runner to replace Mr Georges Marchais, the party's secretary general, as the Communist candidate in the next French presidential elections in 1988.

The Communists still have to announce formally their choice for the next presidential contest, but Mr Lajoinie has been placed in the spotlight by a party which carefully stage-manages its policies and changes in leadership. During the past few weeks, Mr Lajoinie has made more public appearances and pronouncements than Mr Marchais or, for that matter, any other Communist leader. Last week, he also became the first party member to agree to appear on a French national television programme where leading French political personalities are interviewed in their own homes.

Mr Lajoinie received the television interviewers and cameramen in his comfortable home in the rural town of Saint-Pourcain in central France and for nearly one and a half hours talked, in his strong regional accent, as a presidential candidate. Even if he claimed that the party had yet to decide on the candidate to replace Mr Marchais, it was obvious that this consummate politician, who will be 58 on Boxing Day, now sees himself leading the party in the 1988 elections.

When Mr Marchais unexpectedly announced last May he would not stand in the next election as the party's candidate, a number of potential contenders emerged. For many years, Mr Charles Fiterman, the former Communist transport minister, has been seen as one of Mr Marchais' likeliest successors. But his star has been fading of late. The party also considered putting forward as their candidate Mr Georges Seguy, the former Communist union leader. However, Mr Seguy has indicated he did not want to stand in the next elections. Mr Marchais' preferred candidate was Mr Jean-Claude Gayssot, whom the secretary general had been pushing up the Communist party ladder, but who has failed to make his mark.

There had also been speculation that the Communist leadership might consider using the next presidential elections to make a calming gesture towards the rising tide of dissident voices in the party. During the past few months, the rift between traditionalists and reformists or *renovateurs* has deepened. Indeed, the party is facing the biggest internal crisis in its history, with several members led by Mr Pierre Juquin, the party's former spokesman, calling for major changes in the party's approach and structures, while openly criticsing the leadership.

The dissidents are worried that the party is heading for political suicide if it does not adapt to meet the new demands of the French working class. They argue that under Mr Marchais, leadership the party's electoral support has declined steadily during the past 15 years. Once the largest party of the French left, the Communists have been overtaken by the Socialists. The party's share of the vote has now declined to barely 10 per cent of the electorate, the same level of popular support as the extreme right National Front.

But by turning towards Mr Lajoinie, the party has clearly opted to make no compromises yet with the reformists. Mr Lajoinie has long been seen as a leading member of the traditionalist camp in the party. He is an apparatchik whose steady rise in the party has closely followed that of Mr Marchais. He became a full time party member when he was 26. In 1967, he was one of the last French Communist leaders to attend the educational institute for Communist cadres in Moscow. He says his period in Moscow was instructive but said during his television interview last week that if an American university had offered him a place at the time *he would also have gone* to study in the US.

Mr Lajoinie is not the sort of person to make many concessions to the reformists. He has dismissed them as "a small island of discontented comrades." If he does eventually take over from Mr Marchais, the party under Mr Lajoinie is likely to remain firmly rooted to on its traditional hardline Marxist positions.

But Mr Lajoinie's style differs from that of Mr Marchais. Unlike the present leader, a gruff often aggressive and entertaining figure, Mr Lajoinie likes to act and talk like a man from farming stock. He is courteous even towards political opponents. Unlike Mr Marchais, he does not use colourful rhetoric although he speaks passionately about his political convictions and his belief that the Communists can still play a major role in France as a mass popular movement. He says that the party must now express itself more simply and straightforwardly than in the past to rally its traditional support.

The question is whether Mr Lajoinie's more subdued style and his efforts to respond to the worries of the small farmer or the factory worker will succeed in halting what has increasingly seemed an irreversible historic decline. He is likely to have to rely on more than his image to try to bring back to the fold an increasing number of disgruntled Communist voters who have either drifted to the Socialists or, paradoxically, to the right and the National Front.

His efforts last week to emphasise the independence of his party from Moscow and his call for greater democracy in the Soviet Union did not sound convincing enough to persuade some of the reformists that the party was really changing.

In the spotlight: André Lajoinie

Socialists count cost of 'success' in Basque poll

BY DAVID WHITE IN MADRID

MANY OF Spain's ruling Socialists would not have minded losing Sunday's election in the Basque country. In a region where most people vote for local parties, all of which favour more home rule, staying in second position would arguably have created an easier climate for post-election pacts.

It was not to be. Surprisingly, no party gained even a quarter of the seats in the 75-member parliament. The Socialists, who did no more than hold their ground, in fact losing one of their previous 19 seats, found themselves in the lead although with fewer votes than the defeated Basque Nationalist Party (PNV).

They are now confronted with two awkward realities. One is that the Basque parties, lumped together, command an even stronger majority than before. The other is that the Socialists now have to take the initiative to try to form a government in Vitoria, the regional capital.

Mr Jose Maria ("Txiki") Benegas, 38, the Socialist leader in the region, has a tough task. In order to command a safe majority and not risk being upset by the extremist Herri Batasuna Party—which has in the past snubbed the parliament but may now decide to take up its seats—the Socialists need at least two coalition partners.

Political circles yesterday were buzzing with possible permutations. The parliament is in any case not expected to vote in a new "lehendakari or Basque president before mid-January and an impasse would mean yet another election.

The Basque political scene, profoundly marked by long terrorist conflict, is increasingly difficult to make sense of. The Socialists, relying mainly on the population of non-Basque origin for their support and making few inroads among the Basques themselves, have the bulk of the region against them. But the factions of Basque nationalists, although they jointly dominate the scene and share some main objectives, are afflicted by mutual loathing.

Three main changes have taken place in this third Basque election since 1984. The biggest is the split into two of the PNV, up to now the backbone of political life in the area. Since it began in the late 19th century, the party has alternated between two tendencies—the drive towards independence and the making of pacts. Its pragmatic agreements, such as the one it enjoyed with the Socialists from early 1985 until now, always got it into trouble internally.

Mr Jose Antonio Ardanza, outgoing *Lehendakari*, has paid that price to the benefit of his charismatic predecessor, Mr Carlos Garaikoetxea, now the figurehead of the breakaway party, Eusko Alkartasuna (Basque Solidarity).

The PNV's share of the nationalist vote dropped from almost two-thirds to a third. It lost four of the 21 seats it still had left after the split, while the splinter party advanced from 11 to 14, ensconcing itself as the third force in the parliament.

Taken together, however, the two parties showed no change, repeating the record 450,000 votes registered in 1984 by the then monolithic PNV.

The second change was the rise of the two left-wing Basque parties. Herri Batasuna, openly supported by the Eta terrorists, took over 17 per cent of the vote, similar to its share of the regional ballot in the Spanish general elections in June, and increased its seats from 11 to 13.

Hostility to the prospect of a Socialist-led Basque government, the participation of new young voters and the success of the party's campaign during the summer in favour of a negotiated settlement with Eta all appear to have played a role.

Meanwhile, Euskadiko Ezkerra (Ee), a pragmatically-minded party built around a core of former members of Eta's "politico-militar" branch and of former communists, and accused by hardliners of collaborationist tendencies towards the Socialists, took nine seats, three more than in the previous election.

The third change was the collapse of the conventional Spanish right, with more implications for Mr Manuel Fraga's Popular Coalition — its seats were cut from seven to two — than for the Basque country itself.

Chastised by the experience of co-operation with the Socialists, Mr Ardanza says the PNV's place is now in the opposition, but the party itself now has to meet to consider its position.

Both Mr Garaikoetxea and leaders of Euskadiko Ezkerra say they are ready to negotiate a coalition with the Socialists, but they would set tough terms for concessions from Madrid on the transfer of more responsibilities to the Basque government.

Mr Mario Onaindia, a leading figure in Te, said Madrid would have to repeal its controversial anti-terrorist law. Observers think that, in order to win Basque partners over, the Socialists may be prepared to sacrifice the post of *Lehendakari*.

Herri Batasuna has countered provocatively with a call on both the PNV and Mr Garaikoetxea's party to join it in an anti-Madrid coalition.

Meanwhile, even before the real negotiations start, next summer's municipal elections, in which the PNV's real power base will be challenged, are already looming in party minds.

SEATS IN BASQUE PARLIAMENT

	1986	1984
PSE/PSOE—Socialist party (Basque arm of Spain's ruling party)	18	19
PNV—Basque Nationalist Party (moderate home-rule party, centre-right)	17	32
Eusko Alkartasuna—Basque solidarity (split from PNV, September 1986)	14	—
Herri Batasuna—United People (extreme Basque Nationalist)	13	*11
Euskadiko Ezkerra—Basque Left (non-violent left-wing Basque Nationalist)	9	6
Coalition Popular (main Spanish Conservative group)	2	7
CDS—Social Democrat Centre (Mr Adolfo Suarez's party)	2	—
	75	75

* Seats left vacant.

US and Spanish officials meet over base cuts

BY OUR MADRID CORRESPONDENT

US and Spanish negotiators sat down yesterday to a third round of talks on Madrid's demands for cutbacks in US personnel at jointly-used Spanish bases, with the gap between the two sides' positions still wide.

The series of meetings began in July in the wake of the Socialist Government's successful referendum campaign to keep Spain in Nato, during which it pledged a reduction in the unpopular US presence.

Madrid is threatening to denounce its bilateral defence agreement with the US is accord is not reached by next November. The current agreement, which covers the presence of up to 12,500 military personnel, mainly at three air bases and the Rota naval base, expires the following year.

The US is prepared to remove lower-level personnel but is otherwise insisting that any missions no longer to be carried out by US forces should be fully taken over by Spanish forces.

Polish unions call for new economic priorities

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S unions have criticised the Government's economic plans until 1990 for continuing to give priority to capital spending on coal and energy production at the expense of consumer goods output, welfare services and industrial modernisation.

The unions, which claim a membership of 7m after being set up in 1982 to replace the banned Solidarity movement, ended a five-day conference in Warsaw at the weekend.

Mr Alfred Miodowicz was re-elected chairman, but more than a third of the delegates ignored an open endorsement for him by Gen Wojciech Jaruzelski and voted against or abstained in the secret ballot.

Mr Miodowicz last summer joined the Communist Party Politburo in a move which was criticised by many of the new unionists. The discontent also surfaced in voting for a deputy chairman. Mr Stanislaw Bar, the construction workers' leader won the poll after outspokenly criticising the Government's housebuilding policies as inadequate, during the Congress.

The Congress also condemned Government plans to freeze real wage growth over the next four years and instead called for increased consumer goods output. The annual 2 per cent growth in food production was also labelled insufficient. The Congress resolution commits the movement to demand changes in Government agricultural policy.

Community bans the copying of chip designs

BY WILLIAM DAWKINS IN BRUSSELS

EEC trade ministers yesterday agreed to provide legal protection against unauthorised copying for integrated circuit chip designers in the community.

The measures, passed with unusual speed at a meeting in Brussels, will also safeguard EEC microchip exports to the US, an important element in Western Europe's $3.6bn (£2.5bn) electronics sales to the US at the latest industry estimate in 1984.

The decision came in direct response to a US threat to withhold copyright protection for imported microchips from the end of next year unless its own integrated circuit producers are offered anti-copying safeguards in foreign markets. US electronics exports to the community were estimated at $11bn two years ago.

The decision formed part of a package of measures to open up the EEC's internal market on a broad front. The community's 12 states will now be required to fall into line with US microchip design protection practice. That was embodied in the US Semi-Conductor Chip Protection Act, passed two years ago, which outlawed for the first time copying integrated circuit layouts.

Yesterday's move was made necessary because the US act restricts protection to foreign producers' chip sales to the US only where their own countries can offer reciprocal safeguards for US microchip sales.

Foreign producers were given a three-year grace period until November 1987 so long as they could prove they were taking steps to comply with the US act.

Britain automatically qualified for provisional protection under the US measures because its copyright laws already covered integrated circuits.

However, yesterday's measures will provide the first formal safeguard for microchip designers in the 11 other EEC states.

These have already been granted provisional protection in the US on the strength of the community directive unveiled by the European Commission last December.

However, EEC micro-chip producers, led by Philips of the Netherlands, have been pressing urgently for the introduction of copyright protection, both in domestic markets and to safeguard US interests after the November 1987 deadline.

Greece to urge EEC action on trade loan

By Andriana Ierodiaconou

DR ANDREAS PAPANDREOU, the Greek Prime Minister, is to raise the subject of the snagged second tranche of a European Community balance of payments support loan to Greece at this week's EEC summit meeting in London, according to officials in Athens.

Despite the Greek Government's expectations the second tranche of the Ecu 1.75bn loan was not approved at a meeting of the EEC monetary committee in Brussels last week. Instead, EEC member states reportedly criticised Athens both for its economic performance in 1986 and for being out of step with the Community on issues such as Syria's involvement in terrorism.

The EEC loan was granted in the autumn of 1985, on the basis of a two year economic stabilisation programme introduced by Greece's Socialist Government.

Greek officials still believe that the second tranche will be approved after some difficult negotiations and delay.

● Greek seamen around the the world launched a 48-hour strike for higher pay yesterday in defiance of the Government's austerity incomes policy for 1986 and 1987.

Commission steps up campaign over new programmes plans

BY QUENTIN PEEL IN BRUSSELS

THE European Commission is stepping up a campaign against EEC member states for emasculating its plans for new Community rules and programmes – especially those aimed at making the EEC more relevant to its citizens.

Twice in as many days, the Commission has exercised its ultimate negative sanction of withdrawing a proposal rather than see it emerge radically altered by the negotiations of the 12 member states.

At least one of those plans – the Erasmus programme to promote student exchanges – may well now be raised at this week's EEC summit in London to prevent its complete disappearance.

The Commission first exercised its new determination – long threatened but hitherto unused – on a proposal under negotiation last week for a better system of duty-free allowances for EEC travellers.

Lord Cockfield, the British Commissioner responsible for the internal market, refused to accept a compromise put forward by the British Government from the chair and stunned the serried ranks of national negotiators by withdrawing his own proposal. The move means they no longer have any plan to discuss.

The original would have provided a formal legal basis for duty-free shops in the EEC and have required them to ensure that travellers did not exceed their duty-free limits in purchase – thus removing any need to control them at customs posts. It was linked to a second directive increasing the limits.

The compromise rejected the idea of shops enforcing the limits as impracticable and inserted fresh deals for a variety of national interests –

The same objection was raised on Friday by Mr Manuel Marin, the Spanish Commissioner responsible for social affairs and education, over the Erasmus programme. He simply took his proposal off the education ministers' table, leaving them nothing to talk about.

Swiss expelled Soviet suspect

SWITZERLAND expelled a Soviet diplomat for spying last July but did not publicise the move, partly to avoid affecting a trip to Moscow by Mr Pierre Aubert, Foreign Minister, a few weeks later, the Government said yesterday, Reuter reports from Berne.

In a written reply to a parliamentary question, the Government said Mr Aubert's trip was one of the reasons why it had departed from its usual practice of making cases of alleged spying public.

Europe urged to link up telecoms

WESTERN Europe must tear down barriers between national telecommunications systems to avoid its economy falling behind the US and Japan, a group of industrialists said yesterday, Reuter reports from Stockholm.

The Roundtable of European Industrialists said in a report that construction of good trans-European telephone and data communication networks was as critical as the building of railways a century ago.

Poles may revive ties with Israelis

POLAND might restore full diplomatic relations with Israel, Mr Marian Orzechowski, Poland's Foreign Minister said in an interview published yesterday, Reuter reports from Copenhagen.

Mr Orzechowski was quoted by the Danish newspaper Berlingske Tidende as saying that Israel had set up a representation office in Warsaw

He emphasised that the Polish-Israel arrangement should not be seen as formal diplomatic relations.

German employers reject union's call on working hours

BY PETER BRUCE IN BONN

A FIERCE struggle between unions and employers over working hours in West Germany's huge metal-working industry next year is rapidly shaping up, with the employers yesterday rejecting out of hand union demands that a 35-hour week forms part of the 1987 pay round negotiations.

Mr Werner Stumpfe, president of Gesamtmetall, the employers' organisation which also embraces the motor industry, said yesterday he totally rejected the claim – fixed at the weekend by IG Metall, the metalworker's union, for a 35-hour working week with full pay.

He said instead that the employers were prepared to discuss pay issues only.

Talks actually begin in Düsseldorf on December 12, and Mr Stumpfe also warned that last week's gloomy 1987 economic forecast by the Government-appointed panel of "five wise men" – which predicted growth of about 2.2 per cent – meant that the employers' room for manoeuvre would be limited.

He forecast "hard argument" if IG Metall were to stick to its working time demands.

"We will not tolerate the unions chosing the direction, with the employers only being able to play a part in deciding how far the train should travel," he said.

He was not against discussing a cut in working hours, Mr Stumpfe said, "but 1987 is not the right time."

IG Metall, however, is Europe's biggest trade union, and it brought the West German motor industry to a standstill for seven weeks in the summer of 1984 in strikes designed to get the working week cut from 40 hours to 35 hours.

It succeeded then in winning a cut to an average 38.5 hours, but the union leadership has committed itself to reintroducing the issue next year.

The union's new leader, Mr Franz Steinkühler, organised the 1984 strike and is convinced that shorter working hours are the best way to cut unemployment.

He has to fight in the unions to be allowed to discuss "flexible" working practices, but these are so restrictive that they are unlikely to interest employers.

Mr Steinkühler has a long record of leading strikes not directly concerned with pay – unusual for a West German trade union – and he has done little to dampen talk of strike action accompanying the 1987 negotiations.

Chirac set for fresh clash with students

By David Housego in Paris

THE offer by Mr Jacques Chirac, the French Prime Minister, of fresh consultations over the Government's controversial university legislation appeared to have fallen flat yesterday as students renewed their demonstrations.

About 5,000 students marched through Paris's university quarter calling for the resignation of the Minister of Education and shouting slogans that included: "Chirac, demagogue, the students will have your skin."

Afterwards a small number cheered President Mitterrand as he left the Musée d'Orsay after the official inauguration of the new museum—thus giving a clear anti-government and pro-Socialist colour to the demonstrations.

Socialist leaders lent their support to the students in demanding the withdrawal of the bill. Mr Louis Mermaz, the former Socialist President of the National Assembly, described Mr Chirac's concessions in his broadcast on Sunday as a smokescreen and said the Government was merely seeking to gain time. The students are protesting against provisions in the bill which provide for increased selection on entry to university and higher admission charges.

In his broadcast Mr Chirac offered consultations on all the points in dispute—admission procedures, increased registration fees and national recognition of university diplomas—while refusing to withdraw the bill. The students now appear to be focusing their protest on a complete withdrawal.

Universities in Paris remained on strike with students deciding at meetings to go ahead with a big protest march planned for Thursday. In some universities students have organised a sit-in. The situation appeared more confused in the lycées or secondary schools where some pupils continued with their work while others were on strike.

Mr Chirac's concessions on Sunday night risk displeasing some of his own majority who now see the bill as robbed of content. But though Mr Chirac tried to appear conciliatory in his remarks, the message did not seem to get through to the students.

Miss Isacbelle Thomas, who has emerged as the student leader, said the Prime Minister seemed to take the students for imbeciles.

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Aids fears exaggerated says Nobel scientist

A WINNER of the 1984 Nobel prize for medicine claims the seriousness of Aids is overrated compared with other diseases that kill millions in the Third World, Reuter reports from Copenhagen.

Mr Niels Jerne, 74, an immunologist, told the Danish railways journal, Ud og Se: "We have lived with diseases like malaria and sleeping sickness in Africa, which several million people die from every year.

"But because these diseases no longer occur in Europe or North America, the effort made to get them under control is not very great.

"I predict that a method of curing and preventing the spread of Aids will be found in the next five years," he says. "I cannot see it is the frightful threat it is made out to be but it is interesting to write about in the newspapers because it can be linked with homosexuality.

"The number of people who have actually died of Aids is tiny—less than those who die in road accidents. People say that in 10 years it will be 100,000, then a million but I do not believe it will go that way.

"This Aids-mania is exaggerated," said Mr Jerne, who was born in Britain. He won the Nobel prize for his work on the body's defence system. It is this system that is broken down by Aids (Acquired Immune Deficiency Syndrome), which can be transmitted by blood transfusions and sexual contact.

S Africa pull-out

Novo, the Danish enzymes and pharmaceuticals manufacturer, is to sell its South African enzymes sales subsidiary to local management, Hilary Barnes reports from Copenhagen.

Libya pays $16m

A payment of $16m (£11.6m) by Libya has completed the second refinancing of the International Fund for Agricultural Development, the United Nations agency devoted to aiding small farmers in the Third World, John Wyles reports from Rome.

Arms control priority

The chief US negotiator, Max Kampelman, said yesterday he would emphasise the issue of verification at special arms control talks starting in Geneva today, Reuter reports.

Malta violence blame

Malta police yesterday blamed Nationalist Party supporters for violent clashes on Sunday with supporters of Premier Dr Carmelo Mifsud Bonnici. More than 20 people were hurt, Godfrey Grima reports from Valletta.

Wind power boost

The European Commission said yesterday it would co-finance the construction of three large windmills in Britain, Denmark and Spain. It would provide about a third of the money for the $21m (£14.64m) project, AP reports from Brussels. The windmills will be built on the North Sea coast of Denmark, in Galicia, Spain, and in Kent, England. They are scheduled to become operational in 1988.

OVERSEAS NEWS

Minister rejects non-racial Natal legislature

BY ANTHONY ROBINSON IN JOHANNESBURG

COMPLEX PLANS for a non-racial legislature for Natal which would scrap the present division between white Natal and the black Kwazulu homeland and create a single legislature for the province have been rejected by the provincial leader of the ruling National Party.

Mr Stoffel Botha, who is also Minister of Home Affairs, said the proposals, worked out during an eight-month long "Indaba" between political and other interest groups representing all races, did not satisfy the Government's requirement of "effective and equal power sharing without any one group dominating another."

The Indaba model, proposed as a solution for the specific conditions of Natal province, would he said create a situation in which "a majority party will, as in a typical Westminster system, effectively exercise all power and will not necessarily be representative of all groups."

Dr Oscar Dhlomo, a leading Zulu politician and one of the Indaba convenors, criticised Mr Botha for "shooting from the hip" and questioned whether he had studied the Indaba proposals.

These cut right across Pretoria's racially based policies in several vital ways, including elections to the proposed 100-seat lower house through direct proportional representation based on universal suffrage for all race groups. They also include built-in protection for minorities through the structure of a 50-seat lower house and other guarantees for minorities enshrined in a bill of rights and other checks on the power of the majority in the 11 standing committees which would have to approve all legislation.

Given the nearly 80 per cent Zulu population of the province the proposals would almost certainly mean a black majority and a black prime minister.

If accepted the Indaba proposals would also undermine the Government's entire homeland policy by leading to the disappearance of Kwazulu, presently the most populous and most politically effective of the ten homelands

The proposals, released on Friday night, include a lower house of 100 seats elected on the basis of one-man, one-vote, and an upper house of 50 seats. These would be divided equally between African, Asian, English and Afrikaner "background groups" with provision for a fifth "South African group" for those who declined to be ethnically tagged in this way.

Whitlam says MI5 spy book is in the public interest

BY CHRIS SHERWELL IN SYDNEY

BRITAIN'S BID to suppress the controversial memoirs of a former MI5 spy took another knock yesterday as one of Australia's best known public figures challenged the official UK and Australian view and urged that the exposé be published.

His massive frame contained by a well-cut navy pinstripe suit and scarlet tie, Mr Gough Whitlam, Labor Prime Minister from 1972 to 1975, positively filled the witness box as he testified that the publication of allegations against MI5 would do no harm and was in the interest of both Britain and Australia.

The action came on the 11th day of proceedings before Mr Justice Philip Powell in the New South Wales Supreme Court. Britain is seeking a permanent injunction to prevent Heinemann Australia publishing the memoirs of Mr Peter Wright.

Also appearing for the first time yesterday was Mr Michael Codd, secretary of the Australian Federal Cabinet. Like Sir Robert Armstrong, the British Cabinet secretary and the chief UK witness, he has a senior advisory role on security and intelligence matters.

At the start of yesterday's proceedings the judge said he would announce his decision today on the question of whether the defence should see confidential British documents related to the case.

His comments led some observers to believe he would allow some documents, or perhaps parts of them, to be handed over. If this happens, the UK Government will have to decide whether to appeal against his decision.

Mr Whitlam's testimony was the most memorable of the day, but may be given little legal weight if a strong British objection to his appearance is ultimately sustained by the judge. The UK said Mr Whitlam was only expressing his personal opinion on what the Australian public interest required.

The former Prime Minister was otherwise a confident witness for the defence, as those who know him expected. He sounded studiedly bored when he said he had read Mr Wright's book.

Specifically, he said no terrorist group would be helped by information in the book, nor any hostile intelligence agency. No current activities of Australia's security and intelligence services would be impeded or handicapped by publication either.

In his judgment, he said, it was in Australia's interests that the book be published. The Australian public, officials and parliamentarians should know how MI5 had acted and that their own services were not allowed to act in the same way.

Mr Whitlam went to great lengths to explain how Australia's Security Intelligence Organisation (Asio), before he came to office, had done what MI5 was still apparently able to do—break the law, burgle diplomatic premises, watch selected migrant groups or writers infiltrate political parties.

Since the agencies had been made politically accountable in 1972, however, with parliamentary oversight and a monitoring institution, no illegal activities had been condoned or allowed, he claimed.

As for Sir Roger Hollis, the former MI5 head who was involved in setting up Asio in 1948-49, Mr Whitlam said that if he was a Soviet "mole," that had to be known, whether his influence was no longer operative or not. "There may be persons still there chosen or trained by Hollis," said Mr Whitlam.

This particular testimony directly flouted the sober assertion of a halting Mr Codd, who had declared that Sir Roger had had but a tenuous connection with Asio, advising only on its structure and having no role in recruitment.

Row over EEC West Bank boost

BY ANDREW WHITLEY IN JERUSALEM

A DISPUTE between Israel and the European Community over the marketing of goods from the Israeli-occupied territories has put in jeopardy the preferential treatment West Bank and Gazan exports are due to receive in the Common Market from January 1.

The dispute centres on the Israeli authorities insistence that all agricultural goods exported from Israel — whatever the source — should be handled by Agrexco and the Citrus Marketing Board, the state marketing organisations.

This has been resisted by the European Commission, despite a recognition that marketing support in the highly competitive EEC market could be very valuable to new Palestinian exporters.

What Community officials are, above all, concerned about is that any understanding permitting Israel to handle West Bank and Gazan exports could be interpreted, by extension, as tacit recognition of Israeli sovereignty over the region.

Access to the wealthy markets of Western Europe on an equal footing with Israel could transform the economic prospects of the neglected region — with possible far-reaching political consequences as well. But since 1967, when the territories came under Israeli control, both Israel and Jordan have actively discriminated against their goods.

The aim of the European Commissions initiative, announced last October, was to end the anomalous treatment of the occupied territories.

One educated guess is that initially only 20,000 to 25,000 tonnes of citrus a year, a fraction of total production, will be exported to the Community. About 55 per cent of the West Bank's exports, mostly agricultural goods, currently go to Israel. The balance is sold through Jordan either for local consumption or onward shipment, usually to other Arab countries.

Beirut camps pounded by Amal tanks

TANKS pounded Palestinian refugee camps in Beirut yesterday while south Lebanon was paralysed by a general strike, Reuter reports

Sidon was brought to a standstill when most shops and schools were shut in a general strike in protest against the fighting, believed to have claimed 500 deaths

● Two US Moslems of the New York-based National Council on Islamic Affairs yesterday told reporters they had discussed the release of foreign hostages with a vice-president of Lebanon's Supreme Shia Council.

Japanese mine town faces job losses with calm fatalism

BY CARLA RAPOPORT IN TOKYO

WESTERN-STYLE unemployment has arrived in Japan, but it is unemployment with a twist. Japan intends to reduce coal production by a third over the next five years, putting more than 10,000 of the industry's 25,000 workers out of a job, but even so, there will be no national strike.

Noisy demonstrations and a 24-hour walkout have occurred and more are expected, but no long-term industrial action such as Britain experienced in 1984.

On the island of Takashima, across the bay from Nagasaki, Japan's first modern coal mine was closed last week, putting more than 1,500 Japanese miners out of work.

Workers with red head bands sit cross-legged in a makeshift shelter outside the mine gates. "I was raised here and my father too. I know everything about this mine. If it is closed it means the collapse of the town and the families," says Mr Noriuchi Tanaguchi, a young miner.

The mine's owner says it intends to find jobs for all the Takashima workers, whether full-time or sub-contractors. At the same time, new industries are already taking root in the Nagasaki area with the help of local government incentives. Engaged in new materials, electronics and precision tools, these companies are fast expanding.

Komatsu Electronics, for example, a subsidiary of the leading construction equipment maker, is planning to boost employed from 100 to 1,200 over the next few years.

The Takashima colliery, sole source of employment on the island, is owned by Mitsubishi Coal Mining, part of the huge Mitsubishi industrial and banking group. The economic plight of Japan's coal industry is explained without any sentiment by Mr Akio Moki, head of the mine.

"Our accumulated loss over the last 10 years is Y35bn (about $212m). The days of government subsidies for domestic coal are coming to an end," he says. "So far, if 2,000 tons of coal were dug up, the government took it guaranteed. From now on we will mine only the amount demanded."

The situation is aggravated by the appreciation of the yen, which makes imported coal even more attractive. The steel industry, which has its own problems with slumping demand and foreign competition, is no longer willing to buy domestic coal at three times the world price.

Japan's coal industry has been in decline for years. Indeed, the rundown is small compared with what has already occurred. In 1962, 400,000 people were employed in the industry.

Japan now imports about 80 per cent of its coal needs. These days, however, coal companies are moving with alarming speed. The Takashima miners were told of the closure their mine only a few weeks before it happened. Few believe that the company can find them new jobs so quickly. And few of them want to leave their island home.

Nonetheless, Mitsubishi is confident of a peaceful settlement of the dispute. It is planning a retraining programme and job-placement service for all its workers. For their part, shop-keepers and local people on the island appear calm, almost fatalistic, about the community's eventual fate.

Takashima may be a long way from anywhere, but Mr Moki had heard about, and drawn a lesson from, the 1984-85 UK coal strike. "Mrs Thatcher tried to close some mines and when she did that, labourers went on strike for a year. But, in the end, the workers lost and the mines were closed," he said. That will not happen in Japan, he says.

"In Japan, we try not to make workers unemployed, by finding them new jobs. This way is different from that of Europe," he said. However, in the present economic slow-down, he admitted that the process may not be a smooth one. Fifty-year old coal miners, he said, would be the hardest ones to help.

Mr Katsuyuki Ijichi, manager of the brand-new Komatsu Electronics plant, says he intends to provide jobs and training for coal miners. "We (the companies of this area) have to do it. Nagasaki's only other business is tourism."

Mitsubishi's proposed redundancy pay is not over generous. Full-time workers will get between one year and three year's pay. Part-time workers will get much less, if anything. However, the company will cover moving costs and retraining. Local government officials are now negotiating with it for better benefits, as well as funds for attracting new businesses to Takashima.

As the banners hung by the protesting workers proclaim: "To protect our town is the responsibility of Mitsubishi."

Three leading Japanese steel companies, Nippon Steel, Kawasaki Steel and Kobe Steel, yesterday began to implement the first layoffs in the industry since the Second World War.

The layoffs involve only the loss of a few days work a month, but they are widely believed to be the prelude to more drastic cuts.

Japan's highly efficient steel industry has been hit doubly hard by the sharp rise in the value of the yen in the past year. Sales of its main customer industries have been hurt and its own international competitiveness has been undermined. The industry is expected to suffer a collective deficit of Y400bn in the current year.

Meanwhile, the Ministry of International Trade and Industry said yesterday that, based on a poll of 110 leading manufacturers conducted early last month, manufacturing faced its worst employment crisis since the war.

Japan's soaring land prices spark call for tax change

BY IAN RODGER IN TOKYO

A HIGH-POWERED advisory committee has called on the Japanese Government to raise taxes on farmland in urban areas and take other "far reaching" steps to meet the urgent need for more land for housing.

Housing is becoming a potentially explosive issue in Japan, as land prices, particularly in the Tokyo area, soar beyond the means of even the affluent to buy homes.

Land in Tokyo can cost over £100,000 per square foot, and prices have been rising rapidly, partly because of the rush of foreigners seeking to do business in increasingly wealthy Japan.

According to a report from the National Land Agency last month, land prices in Tokyo's commercial district and affluent neighbourhoods have risen by as much as 90 per cent. A piece of land in the Ginza sold recently for Y25.5m (£110,000) per square foot.

Yesterday's interim report by a committee on restructuring the Japanese economy was expected to concentrate on all the themes that have dominated the political scene in Japan this year — making the economy less dependent on exports, stimulating domestic demand and promoting imports.

The committee was chaired by Mr Haruo Maekawa, the former Bank of Japan Governor, who led a similar study group earlier this year that proposed a big restructuring of the economy.

However, this time, Mr Maekawa focused particularly on the housing problem, seeing it as an important block to the higher living standards that will promote the development of the domestic economy.

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Seven oil groups bid in Indian offshore round

BY JOHN ELLIOTT IN NEW DELHI

SEVEN international oil companies including Britoil and Shell from the UK yesterday lodged bids with the Indian Government for surveying and exploration contracts in the country's third round of offshore tenders.

The others are Chevron, Amoco, and Albion of the US, Broken Hill (BHP) of Australia, and International Petroleum Corporation of Dubai.

The companies have lodged seismic survey and exploration bids for blocks with production-sharing off India's west and east coasts. The Government hopes to start consultations in January so that contracts can be awarded by next April.

This is the best response India has had in its three rounds and was described last night by Mr G. V. Ramakrishna, Secretary of the petroleum ministry, as "satisfactory."

No company bid in the second round in 1983. Only Chevron came to an agreement in the first round in 1982 and it withdrew early last year after sinking three dry wells costing $32m (£22.6m).

This time the Government offered the companies tax and other concessions in the hope that these, plus the gradual opening up of the Indian economy would be sufficient incentive to attract international bids.

India urgently needs major new oil discoveries to boost its domestic production which has almost levelled off at around 30m tonnes a year, after several years of rapid growth in the wake of major oil finds in the Bombay High Feld.

Demand is rising faster than the rate of new discoveries and the country is only between 65 and 70 per cent self-sufficient. So, the Government hopes that exploration started next year should yield oil in the 1990s when international prices may have hardened again.

The blocks offered are in the Saurashta and the Konkan-Kerala Basins on the west coast, and the basins of Cauvery, Palar, Krishna-Godavari, and Mahanadi on the east.

The work will supplement a limited amount of offshore exploration by the government-owned Oil and Natural Gas Corporation and Oil India, and on-shore exploration in which the Soviet Union is active.

● The Indian Government hopes early next year to award contracts to private-sector companies for development of two major oil refineries in partnership with public-sector corporations at Karnal in the northern state of Haryana, and Mangalore in the southern state of Karnataka.

Shell of the UK is a front runner to take a stake of up to 40 per cent in Rs 15bn (£811m) Karnal refinery which will have a capacity of 6m tonnes of crude a year. Its rivals are Essar and part of the Birla family empire, both Indian companies.

Chevron is offering technology without any equity stake on both refineries, and Shell is also believed to be willing to enter technology-only deals. The Soviet Union has decided not to bid for either projects.

EEC puts financial power into windmills

By William Dawkins in Brussels

The EEC is backing three contracts worth a total of Ecu 20m (£14m) to build large power generating windmills in Britain, Denmark and Spain.

The European Commission announcer yesterday that it will put forward a third of the cost of the projects, the leading contractors for which will be the main electricity utilities in the countries concerned, the Central Electricity Generating Board in Britain, Spain's Asinel and Denmark's Elsam.

Design and construction is expected to be sub-contracted to small and medium sized companies.

The smallest of the wind turbines will be built at a cost of £1m at Richborough in Kent in the UK. It will be completed at the end of 1988 and be capable of producing 1 Mw.

Cabo Villiano in Galicia is to get a 1.2 Mw windmill while the largest 2 Mw machine is going to the Danish port of Esbjerg.

Co-sponsors for the three projects are the Danish National Wind Programme and its equivalents in the UK and Spain.

Bonn seeks fresh Airbus financing

BY DAVID MARSH IN BONN

THE WEST German government is exploring ways of bringing big domestic companies such as Siemens and Daimler Benz into the financing of the European Airbus airliner manufacturing programme.

To make private sector participation more attractive, the Bonn government is proposing that it formally take over some of the debts of Deutsche Airbus, the subsidiary of Messerschmitt Boelkow Blohm (MBB) which is the German partner in the Airbus consortium.

Government officials say that discussions with potential industrial partners in Airbus have already begun. They reflect the Bonn government's general aim to shift the financing of the four-nation consortium more towards private companies and away from the public sector.

The Government has made no secret in recent weeks of its worry over the mounting costs of the Airbus programme. Airbus sales of wide-body airliners have been hard hit by severe competition from Boeing of the US.

Airbus—whose other shareholders are Aérospatiale of France, British Aerospace and Casa of Spain—is also seeking more than $3bn (£2.1bn) in cash pledges from the European governments to back its proposed A 330 and A 340 programmes to build new airliners for the 1990s.

Increasing Deutsche Airbus' share of Airbus development financing costs—which are at present borne 85-90 per cent by the Bonn government—would represent one way of increasing the stake of private industry in the airliner venture.

Additionally, the Government believes that outside companies, some of which are already involved as shareholders in MBB, could also take a direct stake in Airbus financing. Apart from Daimler and Siemens, other candidates include Bosch, BMW and the other big German aerospace group, Dornier.

McDonnell near pledge to develop new jet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

McDONNELL DOUGLAS, the US airliner manufacturer, is on the verge of a formal commitment to develop its MD-11 medium-to-long-range airliner. The aircraft will replace its DC-10 tri-jet.

Between now and the end of this year, several airlines, in the US and elsewhere, are expected to announce decisions to buy the tri-jet MD-11, subject to McDonnell Douglas going ahead with the aircraft.

British Caledonian, Swissair and American Airlines of the US are believed to be close to decisions. None of these operators, however, is prepared to common on their re-equipment plans.

A formal committal by McDonnell Douglas to develop and produce the MD11 would immediately put considerable pressure on the European Airbus Industries consortium formally to launch its own A-340 four-engined long-range version of the Airbus. This aircraft is being discussed with airlines worldwide.

It would also oblige Boeing to consider seriously whether to commit its rival version of the 747 Jumbo jet, the Advanced Short Body model, to production, to avoid being deprived of orders from airlines seeking long-range airliners with payloads below those of conventional Jumbo jets.

The aim of all these aircraft —MD-11, A-340 and ASB 747s— is to cater for airlines with routes over 8,600 miles non-stop where traffic densities do not justify using bigger conventional Boeing 747 Jumbos that can seat up to 400 passengers or more.

The average payload would be about 330 passengers.

Mr Louis F. Harrington, vice president and general manager for advanced products for the Douglas Aircraft Division of McDonnell Douglas, said recently that a formal commitment to launch the MD-11 would be likely before the end of this year.

He said the McDonnell Douglas company was putting substantial cash and engineering resources behind the MD-11 venture.

The company heeded firm commitments from at least three airlines, including one US and the others overseas, for a total of about 20 aircraft, to justify launching the aircraft.

● The new Dutch Fokker F-100 twin-engined 100-seat jet airliner, powered by Rolls-Royce Tay turbo-man jet engines has made its maiden flight from Schiphol Airport, Amsterdam. The flight lasted two hours.

Airlines which have ordered the F-100 with Tay engines include KLM of Holland, Swissair and US Air.

C & W runs into more criticism in Japan

By Ian Rodger in Tokyo

THE involvement of Cable and Wireless of the UK in the management of a proposed competing telecommunications utility in Japan has come in for further criticism.

Mr Masuo Maekawa, president of Kokusai Denshin Denwa (KDD), Japan's international telecommunications utility, said yesterday there was no difficulty in his view about foreign companies taking an equity stake in a telecommunication undertaking, "but the question is whether a foreign company can be involved in the operations."

C & W is a leading partner along with the Japanese trading group, C. Itoh, in a consortium that is bidding for the franchise to operate Japan's second international telecoms utility. A decision between two consortia competing for the franchise is expected soon.

Mr Maekawa, a former Bank of Japan governor, pointed out that the telecommunications business was not entirely free in any country and Japan was no exception. His view was that the extent to which foreign companies should be allowed to participate in such ventures in Japan "should be decided by the Minister of Posts."

West Germans, Hungarians in VCR joint venture

BY LESLIE COLITT IN BERLIN

EASTERN EUROPE'S first joint venture with a western company to produce colour TV sets and video recorders (VCRs) has been agreed on between Standard Elektrik Lorenz (SEL) of West Germany and Hungary's most innovative retailer, Skala-Coop.

SEL, which is a subsidiary of ITT, said the joint venture will eventually produce 100,000 colour TVs and VCRs annually in Hungary.

The output, estimated to be worth about DM 65m (£22.4m) a year, will be sold in Hungary and, it is hoped, exported to other east European countries. About three-quarters of production is to consist of TV sets.

SEL is taking a 35 per cent stake in the joint company by providing equipment and technology. It will be the largest manufacturing joint venture in Hungary, which, like other east European countries, is anxious to co-operate with western manufacturers.

SEL will deliver components in kit form which are to be assembled at a rebuilt plant by Skala-Coop and sold in its department stores and franchised outlets throughout Hungary.

The first colour TV sets are expected to be available in Hungary in the next few weeks and the level of local content such as printed circuit boards is to be progressively increased in the coming years.

Under the Hungarian joint venture law, the joint company will enjoy a five-year tax holiday and SEL will be allowed to convert its income in Hungarian forints from the venture into hard currency.

Some of the output of the Hungarian plant could be exported to the West, ITT noted, but added that it wants to obtain entry to other East European markets in addition to gaining about 10 per cent of Hungarian sales of colour TV sets.

Oil price fall 'fails to damage East-West trade'

BY WILLIAM DULLFORCE IN GENEVA

EAST-WEST trade in the first half of this year held up better than expected after the collapse in the price of crude oil, the UN Economic Commission for Europe (ECE) reports in the latest edition of its Economic Bulletin for Europe.

Soviet exports to the west fell by only 7 per cent in value, according to Soviet statistics, while comparable western figures show an increase of 5 per cent.

Soviet trade was expected to be badly affected by the slump in the oil price, since 80 per cent of its earnings derive from crude oil and from fuels with prices linked to it.

The ECE has difficulties in reconciling eastern and western statistics but it does pinpoint trends. The ECE covers western and eastern Europe, including the Soviet Union and North America.

The relatively favourable outcome for Soviet exports is attributed to an increase from the depressed level of 1985 in shipments of oil and oil products and to a rebound in natural gas sales.

Lower grain purchases from abroad following a better home harvest were largely responsible for the 16 per cent decline in the value of Soviet imports in the first half but the value stated in US dollars, remained stable.

Preliminary data for the first quarter suggest that Soviet imports of engineering goods from the west also continued to decline, in spite of quickening in the pace of Soviet domestic investment.

For 1986 as a whole, the ECE expects the Soviet current account surplus with the market economies to double to around $2bn (£1.4bn). In contrast, the current account balance of eastern Europe as a whole with the market economies is likely to move into a deficit of over $1bn this year compared with a $2bn surplus last year.

Philips, AT&T plan US medical systems link-up

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group and AT & T, the US telecommunications giant, are planning jointly to market medical systems involving radiology and other diagnostic imaging equipment in the US.

The aim is to provide complete systems by combining the forces of Philips' Medical Systems unit which is a world leader in diagnostic imaging and radiation therapy equipment, with AT & T, which is a world leader in communications and data management.

The two companies, which have a joint venture in public telecommunications, hope to achieve better economies of scale in the US health-care industry which is slowing after years of strong growth. Philips also faces stiffer competition because of the lower dollar which has made US-made products cheaper.

The two companies' sales forces will co-operate in marketing systems that digitally generate a body image and then store, retrieve and communicate it. The products will include digital-image generation systems, fibre optic networks and data bases, optical (laser-read) storage archives and video-screen diagnosis.

In the US, the product line will be known as "Commview" and outside the US as "Marcom," which stands for Philips medical archiving and communications systems, and will be sold through Philips.

AMERICAN NEWS

Reagan budget aims to meet deficit target

BY STEWART FLEMING, US EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan will submit to Congress early next year a proposed federal budget which will meet the 1988 *budget deficit target of* $108bn laid down in the Gramm - Rudman - Hollings budget law, Mr Larry Speakes, the White House spokesman, said yesterday.

Mr Speakes also suggested that the White House would again slow the growth of defence spending. The 1988 budget request would call for a 3 per cent increase in defence spending in real terms from the $290bn in budget authority which was approved by Congress for the 1987 budget.

The defence increase cited by Mr Speakes would take authorisation for defenec spending to $308bn. This is some $10bn below the Administration's expectations published in the mid-session review of the budget in the summer.

But administration officials conceded yesterday that Mr Caspar Weinberger, the Defence Secretary, has yet to accept the proposed defence *spending level.*

The White House is working on the assumption that the 1987 budget will be about $163bn. Officials say that of the $54bn of cuts from this level which will be needed to meet the Gramm-Rudman target, half *will come from reductions in* spending. The remainder is to come from some combination of asset sales and privatisation proposals, increases in fees to users of services provided by the Federal Government and what are being described as "minor" revenue increases.

A review of budget policy is underway this week at the White House and officials expect that later in the week the Office of Management and Budget will send detailed spending plans to government departments.

For the past two years the President's budget proposal *has been more a statement of* his political philsophy than a document which the Administration and Congress have used as a starting point for negotiations on spending.

Mr Reagan has consistently rejected raising taxes to cut the deficit. Congress has regularly rejected Mr Reagan's *detailed spending* cuts and his projected budget deficits have been significantly lower than the deficits actually recorded.

Argentina begins talks on fresh IMF loan

By Tim Coone in Buenos Aires

TALKS between the Argentinian Government and the International Monetary Fund were due to begin in Washington yesterday over a new standby loan and compensatory finance to meet trade and debt obligations up to the end of 1987.

The Argentinian negotiating team is led by Mr Jose Luis Machinea, the central bank president, and Mr Mario Brodersohn, the Finance Minister.

A total of $1.55bn is being sought by *Argentina—$1.2bn* as a new standby loan and $350m as compensatory finance for the heavy fall in export earnings

Persistent low world prices for grains and beef, Argentina's main exports, have caused serious concern within the Government for the country's long-term economic recovery. Foreign exchange earnings are expected to be some $1.5bn down on 1985, causing a contraction in the visible trade surplus to less than $3bn this year.

This greatly constricts Argentina's capacity to meet payments on its $50bn foreign debt, the Government says, and has prompted its negotiators to push harder for more favourable terms in its debt refinancing packages.

The recent $12bn Mexican refinancing package, in which further finance will be forthcoming if the oil price falls below $9 per barrel, is being seen as a useful precedent by the Argentinians to argue for a similar "trigger" clause in its own agreement with the IMF. This could link further lending to floor prices for grain and beef *exports.*

Most critical of all to the success of the negotiations will be whether the IMF and the foreign banks are prepared to accept Argentinian growth estimates of some 5 per cent for 1987, which will have important implications for both the fiscal deficit and import levels.

The Government is going into an election year and has stated that it is only prepared to negotiate a debt restructuring programme on the basis of projected real growth in the economy.

Charles Hodgson reports from New York on the long-running dispute at USX

War of attrition with steel industry unions

INDUSTRIAL relations in the US steel industry have come a long way since a scorching July day in *1892*, when nine strikers and seven Pinkerton agents were shot dead in a running gun battle outside Andrew Carnegie's Homestead steel works near Pittsburgh.

But the strike at USX, the nation's largest steelmaker which in its former incarnation as US Steel bought out Carnegie in 1901, has quietly become the longest running dispute in the history of the troubled US steel industry.

Talks to end the stoppage, which began on August 1, broke down at the end of last month. With no date set for a resumption of negotiations between USX and the United Steelworkers of America, the dispute looks set to drag on well into the New Year.

It has halted production at all USX plants and idled 22,000 workers in eight states. At issue is not only a new contract cutting wages and reducing benefits—concessions that the *union has already accepted at* USX's major rivals—but also the company's insistence that it should be allowed to subcontract more work to outside plants.

USX is standing firm on subcontracting, which has cost the union jobs, despite agreement by its competitors to restrict outside work in their negotiations with the steelworkers.

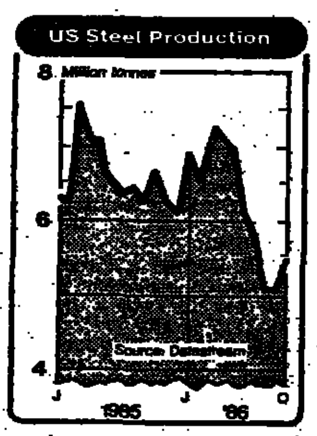
The irony of the strike is that it has so far had little effect either on the industry or on the US economy. In *1959*, when steelworkers last walked out in a major dispute, a million blue-collar workers across the US were idled amid fears of a national recession. It took a Supreme Court order to get the steelmen back to work after four months.

The apparent lack of concern over the present dispute reflects not only the diminished role that falling demand and cheap imports have forced on the once all-powerful steel giants, but also the huge overcapacity now burdening the industry.

USX's main rivals, LTV Steel, *Bethlehem, Inland, National* and Armco, have moved swiftly to plug the gap left by the stoppage (which the company describes as a strike and the unions as a lockout), putting on extra shifts to boost production. Output across the industry, which had been running at 5.8m tonnes in July and which slipped to 5.4m tonnes in August, the first month of the strike, rose to 5.6m by September.

Capacity used in the industry fell to 51 per cent in the first week of the strike from 60 per cent in the week before. By the middle of November it was back up to 57 per cent.

But the eagerly anticipated benefits for USX's competitors



from their rival's problems have not materialised.

USX, which controls about one fifth of the domestic market, had stockpiled in anticipation of the walkout. Those stocks only started to run out in the past few weeks.

The company's clients had also seen the labour trouble *brewing and laid in extra supplies.* The last half of the year is traditionally a slower time for steel consumption and major customers such as the car and white goods industries have themselves suffered high stock levels and a downturn in demand.

The strike has proved extremely costly for USX, pushing it back $183m into the red in the third quarter after making a small profit in the previous three months. It is now putting the finishing touches to a major restructuring plan, designed to raise $1bn, largely by spinning off its chemical operations and prized oil assets, and the sale of its steel stockholding centres.

Pittsburgh-based USX has been the target of unwelcome takeover attention by Mr Carl Icahn, the New York corporate raider, whose $8bn offer, although now technically lapsed, has not yet been formally withdrawn.

The war of attrition with the unions has renewed fears that the company, whose forerunner US Steel was so synonymous with the industry as to warrant the title Big Steel, might further reduce its commitment to steelmaking.

Under Mr David Roderick, its 63-year-old former US marine chairman, the once cocky US USX, a faceless name which underlined the shift away from *steel into oil and gas, which* came to account for *half* the group's $19bn annual sales.

US Steel was forced to diversify to survive, hamstrung by outdated plant and production technology and faced with a dramatic increase in foreign competition and shifting patterns of demand for steel.

More than 110,000 workers have lost their jobs and 91 plants been closed, cutting capacity from 36m tons a year to about 26m, during Mr Roderick's austere seven-year regime.

The uncertainty generated by the dramatic reshaping and the standoff with Mr Icahn has been aggravated by the strike. Signs of disaffection on the picket lines are likely to increase once workers' unemployment benefits begin running out in January and they have to get by on $60 per week strike pay.

USX is clearly prepared for a long fight. Mr Roderick warned earlier *this* month that failure to reach a settlement by November might mean that plants remained closed until April or May.

Mr Bruce Johnston, the company's vice president, was even gloomier, saying that the collapse of the talks put the company's second quarter orders at risk too. He warned the unions that the continued strike "heightens the risk involved in our commitment to steel."

The *chief* union *negotiator,* Mr James McGeehan, found an apt metaphor to describe the current state of relations with USX. Some progress had been made but major problems remained, he said: "We have run into a steel wall."

Scaling that wall could mean a further step by USX away from the industry it once dominated.

Canada Liberals set for resurgence in popularity

BY BERNARD SIMON IN TORONTO

CANADA'S Liberal Party, the main parliamentary opposition, is expected to enjoy a resurgence in public popularity *over the next few months* in the wake of the strong endorsement given at the weekend to the leadership of former prime minister Mr John Turner.

Delegates to a party convention in Ottawa overwhelmingly defeated a bid to review Mr Turner's position. This was launched by members who have been dissatisfied with his performance since the Liberals suffered a humiliating defeat in the September 1984 general election.

The 76 per cent vote in favour of Mr Turner was considerably higher than his supporters' most optimistic predictions.

The ruling Progressive Conservative Party, headed by Prime Minister Brian Mulroney, has three-quarters of the seats in the House of Commons and is not obliged to call an election for another three years. But the Tories, whose vacillating performance in office has disappointed many voters, are *behind the Liberals in the* opinion polls.

The ability of the Liberals to capitalise on Mr Turner's decisive victory will depend heavily on their ability to formulate a coherent policy platform.

UN close to bankruptcy, Secretary General warns

BY OUR UNITED NATIONS CORRESPONDENT

THE United Nations has been on the brink of bankruptcy for months and will enter 1987 with only $10m in hand, substantially less than the funds needed for one week's operations, the secretary-general Mr Xavier Perez de Cuellar said in a report to the General Assembly.

Identifying the US only as "the largest contributor," he said the main problem was its failure to pay about one-half of its UN assessment this year—about $149m. Unless national legislation were amended, this payment could well be of the same order in 1987, he added.

The US Congress, in defiance of obligations imposed by the UN Charter, has severely restricted US Government payments to the organisation. Several other states also are in arrears.

France has pledged to help out by making its $44.6m assessed contribution at the start of the year. Britain, Canada and the Nordic countries also are expected to pay promptly as they did this year.

Mr Perez de Cuellar said economies he instituted had saved the UN $67m this year and would have to be continued, for a somewhat greater saving in 1987. Even so, it had been barely possible to meet obligations on time, including staff salaries, and there was the strong possibility of a sudden interruption of services.

Moscow 'not to seek Falklands fishing licence'

THE Soviet Union's fishing fleet will not seek licences from British authorities to fish around the Falkland Islands, according to Soviet officials, **Tim Coone reports from Buenos Aires.**

The signing of a bilateral fishing accord between Argentina and the Soviet Union earlier this year was one of the reasons cited by the British Government for announcing a 150-mile fisheries protection zone around the Falklands at the end of October. This is due to come into force on February 1 next year.

A senior official at the Soviet Embassy in Buenos Aires said "the fishing agreement is within the framework of our bilateral commercial relations with Argentina.

Venezuelan private foreign debt deal under fire

BY JOSEPH MANN IN CARACAS

A GOVERNMENT proposal designed to help solve the Venezuelan private sector's long-standing foreign debt problems has come under attack from Venezuelan businessmen and politicians.

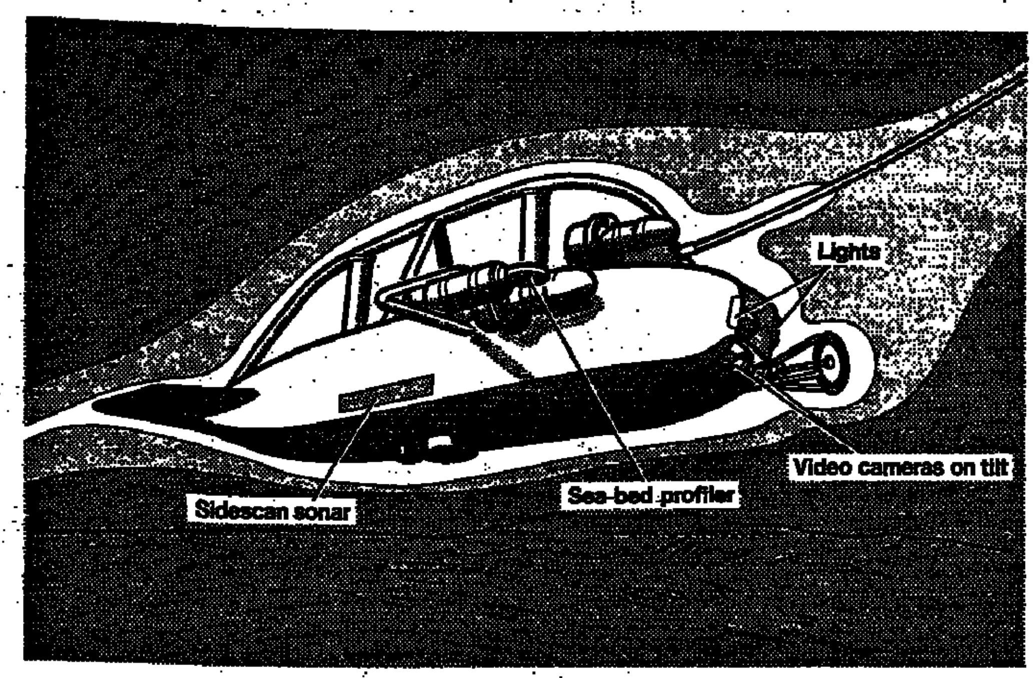
The proposal, made public about a week ago, calls for foreign exchange futures contracts for Venezuelan companies whose foreign debt has been declared "eligible" by the Government.

The plan covers about $6.9bn in foreign debt, out of a total private sector foreign debt estimated at $12-$13bn. Foreign bankers have been pressing Venezuelan officials for some kind of private sector debt plan since a major devaluation of the currency in 1983.

A spokesman for a leading business group, Fedecamaras, said the body had not been consulted on the debt proposal, and sent President Jaime Lusinchi its own plan. Press reports in Caracas said there were major disagreements in the cabinet over the debt scheme, which had not yet been formally approved by the Government.

Politicians from the ruling party, Democratic Action, and the main opposition group, the Christian Democrat Copei party, expressed serious reservations about the plan.

An important labour leader said that any debt scheme involving government subsidies for the private sector should be tied to capital repatriation.



Trawling for business with mechanical fish

Peter Marsh looks at a group of companies seeking to reduce their dependence on the oil industry.

A SOVIET submarine has run aground off the UK coast and locating it is a matter of priority for a team of Royal Navy technicians. Helping them, if any such incidents occur in the future, may be a large mechanical "fish" that is towed behind a survey ship.

Such a device is under development at RUMIC, a small engineering company in Barrow-in-Furness, Cumbria, UK. It promises to be able to inspect large tracts of ocean quickly and cheaply, by incorporating television and sonar sensor technology, and having the ability to be towed at speed or move slowly under its own power.

The fish will be dragged behind a ship at the relatively high speed of 5 knots, all the time using sonar equipment to pick up information on nearby objects. If and when the scanners show anything of interest — such as a dark shadow that could indicate a submarine hull — engineers on the ship order the fish to swim away to obtain detailed images of the object using TV cameras.

While its TV cameras are switched on, the machine remains linked to the ship by an "umbilical cord." This acts as a conduit for signals sent between the fish and engineers on board the support vessel.

The ship, however, slows to about half a knot, allowing the mechanical contraption beneath the waves to steer itself under power of its own thrusters. The cord lets the fish roam up to 500 metres either side of the ship.

In this way, the towed system, which requires about £1.3m for further development, would combine both quick scanning of the oceans using sonar and detailed inspection using TV. Normally, these surveillance methods require separate underwater vessels.

Vista Ventures, a venture-capital organisation in London, has agreed to contribute some of the project's development costs. Other possible sponsors are the UK Energy Department's Offshore Supplies Office and Saipem, the Italian offshore engineering company. The latter thinks the new device would help it in inspection of underwater pipelines.

Assuming the development goes ahead, work on the system may be shared by a group of about 15 companies in the Barrow area, many of which specialise in offshore engineering for the oil industry. As part of moves to diversify away from this sector into other areas of technology, the Barrow concerns are considering joining forces in an informal consortium (see accompanying story).

RUMIC itself was set up three years ago by a group of engineers headed by Mr Roger Chapman, the managing director. The five-person concern initially worked mainly for the oil industry, reflecting Mr Chapman's own background. Prior to setting up RUMIC, he had worked in offshore maintenance for Vickers and had started another company, Subsea Surveys, which operated remote-controlled inspection vessels for oil companies.

According to Mr Chapman, the balance of RUMIC's work has swung away from the oil industry. For example, the company has won a three-year contract with Britain's Defence Ministry to draw up plans to rescue, using a range of underwater vessels, sailors who have become trapped in submarines on the seabed. While working for Vickers, Mr Chapman once suffered just such an experience.

RUMIC has worked with British Telecom in projects to lay cable under water. It is involved in studies to devise novel automated vehicles which could disarm mines at sea. Such projects could be of interest to the Defence Ministry and other military authorities. RUMIC is also trying to diversify geographically. It is working on automated underwater vehicles with Technomare, an Italian offshore engineering company, and is involved with Herion Systemtechnik, a West German company, in a scheme to build a subsea vessel for use by divers.

Unity on north west frontier

A REDUCED dependence on the oil industry has become a central goal for a group of technology based companies in the Barrow area. The concerns have evolved mainly by people leaving Vickers' shipbuilding group and its offshore-engineering offshoots.

In recent months, the Barrow companies have considered forming themselves into a loose consortium, to be known as the Furness Technology Centre. This would bid for contracts on behalf of companies in the area.

The plan has been devised by the companies in conjunction with Mr Malcolm Cross, chairman of the Furness Business Initiative, an enterprise agency in Barrow. Mr Cross says that the consortium would try to steer the concerns into areas of engineering away from oil-related work.

According to Mr Roger Chapman, managing director of Barrow-based RUMIC, the consortium could help some of the local companies to survive. The concerns suffer the general disadvantage that, due to Barrow's geographical position in a remote corner of north west England, they are a long way from most of Britain's industrial centres.

Furness Underwater and Engineering, the largest of the Vickers' spin-offs, was set up in 1979 and has had some success in moving into non-oil areas. The company, which two years ago was bought by Inchcape, the trading group, has annual sales of £2m, 60 per cent of this for the oil business.

Mr Peter Redshaw, managing director, says the company has had to redirect its marketing efforts into areas away from offshore engineering. It is working with British Nuclear Fuels at Sellafield, Cumbria, on the design of reprocessing equipment. The company is moving into defence work, for example by doing studies on submarines for Vickers Shipbuilding and Engineering, the private company which runs the (formerly state-owned) submarine construction yards in Barrow.

Mr Marcus Cardew, managing director of System Technologies, another Vickers offshoot, says that about two years ago, anticipating the recent fall in oil prices, he "mentally diversified," away from aiming his activities only at the oil industry. His company is working on a number of non oil-related projects, including graphics systems for computers and electronic devices for the car industry.

Orcina, a company in Ulverston, near Barrow, set up by Mr Mike Isherwood and Mr Mark Carson, former Vickers engineers, is trying to broaden into general engineering (for example for the nuclear industry) as well as working on oil-industry studies for customers such as John Brown and BP.

Other companies in the Barrow area set up as a result of splinterings from Vickers include Duddon Electronics (which specialises in underwater lighting), SEL (general research), TRONIC (connectors for subsea pipelines) and BUE Hydralock (pipe technology).

Optics will hit market for phone exchanges

By David Thomas

THE increased use of fibre optics in telecommunications is likely to lead to a decline in the market for public telephone exchanges, according to a new report by International Resources Development, a US market research company.

The design of telecommunications networks depends on the relation between the cost of switching and transmission facilities, the report says.

It argues that this relationship has been radically altered by fibre optics, which will eventually lead to a steep reduction in the cost of transmission.

"With optical transmission systems that can operate at several gigabits (125m characters = 1 gigabit) per second just about to hit the market, nothing else will be able to touch fibre optics for cheap wideband transmission," says Lawrence Gasman, who coordinated the report.

He continues: "Some of the switch manufacturers are struggling now, but just wait and see what happens when the carriers fully understand what they can do with fibre optics."

The report predicts an era of more centralised switching, with a move away from the present complex hierarchy of local and regional switching centres.

Where optical fibre is laid it will make "backhauling" increasingly economic. Backhauling is the switching of circuits over apparently irrational routes: going from Washington to New York via Chicago, for example.

Fibre Optic Telecommunication Opportunities IRD, 6 Prowitt Street, Norwalk, Connecticut, 06855 US, $1,850.

WORTH WATCHING

Edited by Geoffrey Charlish

Breath of life for desk-top publishing

PHOTOGRAPHS, PRINTED artwork, diagrams, or "live" objects pictured on a close-circuit television camera can be entered into an Amstrad personal computer (PC) or similar machine using a circuit board from UK company Digithurst.

Such systems will find increasing application in desk-top publishing and in pictorial databases. The "live" use is particularly valuable in that objects do not have to be photographed for use in publications.

The company will supply the board, called Micro Eye, and a suitable camera with stand for £595. The board alone costs £295. The system works by "grabbing" a single frame from the TV signal, digitising it and storing it on the PC's magnetic disk. The images captured can be merged with text using word processing software.

Belgians take a bar-code long shot

A LONG-RANGE bar code scanner from Brussels company Symbol Technologies can read low density bar codes at distances up to 1.5 metres (5 ft).

About the size of a home power drill, the unit should prove useful in warehouses and distribution outlets, where a fork-lift truck driver, without leaving his vehicle, will be able to read a packing case bar code by pointing the device and pressing a button.

The device, designated LS 7000 2LR, can link either directly with a computer or can be used with portable data collection unit which can feed the information into a computer at a convenient time.

Prime performance as Dutch show grit

AKZO COATINGS of Wapenveld in The Netherlands has patented a process that cleans steel by grit blasting and applies an epoxy-based primer in the same pass of a specially developed nozzle. The system, called Gritkote, uses a standard grit blasting unit with a curved nozzle that diverts part of the air serving the grit feed to atomise and apply the primer. The nozzle can thus prime and blast simultaneously along two parallel strips.

The company claims that the quality of the priming is maintained, even when application takes place in adverse weather conditions. There is no opportunity for the freshly cleaned steel to be affected by moisture or atmospheric dirt. Thus, work can continue in fog, high humidity and drizzle, without risk of rust formation. Work programmes can therefore more easily be kept on schedule.

Siemens switches into light opera

THE ROYAL Opera House in London has had a new electronic stage lighting control system installed by West German electronics company Siemens.

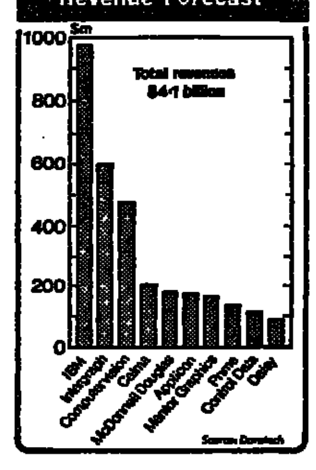
During rehearsals, the lighting cues, along with brilliance levels, timings and colour changes, for each scene are decided upon and put into the system's memory. On the night of the performance, the lighting operator recalls each scene by use of a keyboard, and the proper settings and timing are made automatically. The system allows for easy correction should there be any mishaps or unscheduled scene changes on stage.

CAD/CAM growth continues to slow

THE CAD/CAM (computer-aided design and manufacturing) industry world-wide is continuing to experience slower revenue growth, according to market research company Daratech of Cambridge, Massachusetts.

Revenues this year will be about $4.1bn, but this is an

1986 CAD/CAM,CAE Revenue Forecast



increase of only 14 per cent on 1985. The previous two years showed advances of 25 per cent (1985) and 56 per cent (1984).

Daratech's interrogation of industry executives of CAD/CAM using companies revealed that larger manufacturing concerns have virtually stopped purchasing big and expensive systems.

Instead engineers have been opting for personal computer-based systems from companies like Autodesk (Sausalito, California), which is forecasting an 80 per cent increase in revenues to $48m for 1986.

Another contributing factor to the slowing of overall industry revenue growth is that the computing power needed for high-level systems is costing less and less, largely due to computers like Digital Equipment's Microvax 2. For example, McDonnell Douglas (now number five in world CAD/CAM sales) increased unit sales of its popular Unigraphics system by 35 per cent in the first quarter of 1986, but had only slight gains in revenues, compared with the corresponding period of 1985.

Bricklayers move to stop the rot

RECENTLY THIS column reported on a hand-held electronic unit that can locate corroded ties in cavity walls. Now, Ryton Building Products of Kettering, UK, points out that it produces a tie made from polypropylene. For new buildings, this prevents corrosion problems. A million have been sold.

The ties are approved by the British Board of Agreement (a building materials and components assessment/certification body). The ties' flexibility means they are suitable for a variety of brickwork patterns. However, they can easily resist the tensile and compressive forces exerted within the cavity wall.

CONTACTS: Digithurst: UK, 0763 42955. Ryton: UK, 0536 511874. Symbol: Belgium, 2 640 9232. Siemens: UK office, 09327 85691. Akzo Coatings: 5206 71911. Daratech: US, (617) 354 2339.

UK NEWS

EEC attacks US telecommunication moves

BY TERRY DODSWORTH AND DAVID THOMAS

THE EUROPEAN COMMISSION was "deeply disturbed" by recent moves in the US to discriminate against European suppliers to the American market, Mr Michel Carpentier, the director general of Telecommunication Information Industry and Innovation at the EEC, said yesterday.

Speaking at the Financial Times conference on world telecommunications before an audience which included several US regulators and trade representatives, Mr Carpentier said that he was also worried by protectionist pressures in the US Congress which could lead to a "substantial" deterioration in international trade relations.

Mr Carpentier's remarks refer to moves by the Federal Communications Commission in the US to discriminate against sales of equipment made by Siemens of West Germany to American telephone companies. The EEC has taken this action because of West German pressure on France to allow Siemens to take over CGCT, the French telecommunications company which AT&T of the US also wants to acquire.

In addition, Mr Carpentier highlighted the difficulties facing European companies in breaking into the American market, and the EEC's growing trade deficit in telecommunications. In 1985, the EEC deficit with the US grew by 25 per cent against the previous year, and with Japan by 61 per cent.

At the same time, EEC exports to the US were in relative decline, falling from 6.4 per cent of the American telecommunications market in 1979 to 3.6 per cent in 1984.

Mr Carpentier argued that in order to become more competitive the EEC needed to rationalise the present fragmented structure of its telecommunications industry. This could be achieved, he said, partly by developing a system of common standards throughout Europe and partly by using the deregulation process to stimulate new services.

Opening the conference, Sir Donald Maitland, argued that a comprehensive world telecommunications network would probably exist by the turn of the century.

However, further progress on telecommunications liberalisation was essential. In particular, US and Japanese markets must be open to European telecoms companies in return for Europe dismantling its internal buyers.

Mr Giles Shaw, UK Trade and Industry Minister, argued that telecommunications liberalisation was a vital process: those countries which had carried it out had enjoyed growth in and diversification of their markets. However, telecommunications still remained one of the most protected industrial sectors internationally.

The days of purely national suppliers, geared solely to their domestic markets, were over. Already, there were remarkable international mergers and alliances between companies previously regarded as competitors.

Development of European telecommunications standards, for areas such as integrated services digital networks, was crucial to this process.

However, it was also important that European standards should be as simple as possible, because otherwise enterprise might be stifled.

European collaboration on research and development was also important.

Liberalisation had led to a series of milestones in the US industry, according to Mr Morris Tanenbaum, vice chairman of AT & T.

By the start of next year, long-distance rates in the US would have fallen by 25 per cent while the increase in local rates had been modest. More than 175 companies were competing to be the primary long-distance providers for some 60m customers.

Mr Paul Henson, the chairman of United Telecommunications, stressed that it would take considerable time to measure the effect of deregulation in the US but said it was already clear that the process of introducing competition between AT & T and other long-distance carriers was not working well.

The access to local exchange networks currently being afforded to competitors was not equal to that being given to AT & T, he said, while AT & T had the ability to squeeze its competitors both by lowering prices and by raising costs.

Mr Robert Eckenrode, executive vice president of Nynex, the US regional telephone operating company, said that the seven divested "Baby Bell" regional telephone groups had shown themselves to be far more exuberant than a lot of people expected.

Mr Masashi Kojima, senior vice president for Nippon Telegraph and Telephone, said liberalisation and privatisation were transforming the Japanese telecommunications scene.

Already four companies other than NTT had been given approval to provide phone and leased line services where the market is expected to grow by 5 to 6 per cent a year. Their prices for leased line services were roughly 25 per cent lower than NTT's, and they intended to offer telephone services from next autumn.

Moreover, about 290 companies had said they would like to offer value-added network services, where annual growth rates were expected to be about 8 to 9 per cent.

Professor Carl Christian von Weizsaecker of Cologne University and a members of the West German Monopoly Commission, argued that continental European countries ought to move towards a policy of demonopolising their public telephone utilities.

Developments in Japan, the US and the UK, he said, along with the fact that telephone companies were increasingly becoming service enterprises rather than government administrations, suggested that the utilities ought to be allowed to enter other markets, but without the privileges of monopolists.

An additional reason for demonopolising was the current distortion in tariffs, which tended to be out of line with costs in continental Europe.

A truly European telecommunications market would help the European telecommunications industry compete with the US and Japan, according to Sir George Jefferson, chairman of British Telecom.

There might, for example, be two or three competing but interconnecting European long-distance operators. European services over local networks could also be encouraged, as indeed was already happening through the satellite transmission of entertainment.

New services, in particular, should be created as competing European, not national, services.

This truly European market was needed because no European country represented a large enough market for its supply industry to be able to spread its R & D costs

Mr Cor Wit, director general of Netherlands Postal and Telecommunications Services, argued that moves towards European standards would benefit everybody: hardware suppliers, suppliers of telephone services and users.

However, European developments must also allow for the fact that European countries had their distinctive cultures.

Banks clear way for trials in cashless shopping

BY ALAN CANE

BRITISH CLEARING (retail) banks have opened the way for the introduction within two years of the first stages of a national electronic shopping system.

Yesterday, the council of the Association for Payment and Clearing Systems (Apacs) representing the 12 UK clearing banks, announced that they had agreed a strategy for the system. All its members would participate in the development, it said.

The announcement follows several years of abortive planning during which period the banks found it impossible to agree a common approach. Their difficulties arose from worries that regardless of the system chosen, some banks would be favoured at the expense of others.

Electronic shopping or electronic funds transfer at the point of sale (eft/pos) involves the use of credit or debit cards in place of cash or cheques.

No paper is involved in the system. Electronic messages travel from special counter terminals installed on retailers premises to banks and credit card companies, debiting a customer's account when a purchase is made.

Credit card customers would obviously still have the permitted period before payment had to be made. The plan announced yesterday involves the development of a prototype service involving some 2,000 counter top terminals in three cities – thought to be Southampton, Leeds and Edinburgh – by the end of 1988.

Apacs said yesterday: "This inaugural service will establish the standards for national eft/pos and enable all aspects of the system to be tested and ensure that the needs of retailers and consumers are being satisfactorily met."

When the prototype service has been established, Apacs members will have the choice of continuing with development of the central system on a co-operative basis or going their own way.

They will be able to install and support their own counter terminals as long as they stay within the general framework of the national scheme.

The UK already trails France and Belgium in eft/pos developments in Europe. Both these countries have extensive commercial services in place. The most developed systems are to be found in the Far East. Singapore, for example, has installed some 1,000 counter top terminals and plans a further 4,000.

Pirelli to invest £35m in car tyre production

By John Griffiths

PIRELLI'S UK tyres subsidiary is to launch next year a £35m, five-year investment programme to produce car tyres on flexible, automated assembly lines.

The decision marks a further stage in the resurgence of the UK tyre industry after years of losses and restructuring. Pirelli and rivals such as Michelin UK and SP Tyres, taken over from Dunlop by Sumitomo, are also operating profitably again.

The restructuring is not complete, however. Avon Tyres is planning 730 redundancies in the UK, but it, too, is making profits again (£2.9m last year), and the job cuts are aimed at keeping it competitive with other tyre makers.

Pirelli's new lines will provide a 50 per cent increase in productivity but will not lead to job losses among the 1,500 UK employees, Mr Sando Veronesi, managing director, said yesterday.

He forecast record profits this year for the company, which its Italian parent came close to shutting in 1982 when it was making heavy losses.

A £12m investment in new truck tyre production facilities is also under way, with completion planned for 1988. The investments have been approved by Pirelli's parent as a result of a complete turnround in the company's financial performance. The £12m loss of 1982 was reversed two years later, reaching a pre-tax profit of £5.6m last year.

Mr Veronesi gave no formal figures, but a profit of more than £7m is expected for the year to December 31.

Pirelli expects to continue to increase its UK market share and maintain its current export level, which averages 35 per cent of production volumes.

It now claims a 20 per cent share of the UK car tyre original equipment market – up from 8 per cent in the early 1980s – and 12.5 per cent of the replacement car tyre market, up from 2 to 3 per cent.

In the truck sector it is claiming 8 per cent of the original equipment market and 7 per cent of the replacement sector.

Scottish teachers will strike despite appeal by minister

BY DAVID BRINDLE AND JAMES BUXTON

A PLANNED one-day strike in Scottish schools is to go ahead on Thursday, in defiance of an appeal yesterday from Mr Malcolm Rifkind, Scottish Secretary, to call it off.

However, Mr John Pollock, general secretary of the Educational Institute of Scotland, the union calling the strike, said after a meeting with the minister that a small step had been taken in the pay dispute towards "opening up the opportunity for a negotiated way out."

In England and Wales, meanwhile, the local authority employers warned Mr Kenneth Baker, Education Secretary, that his plans for financial rewards for good teachers would mean an artificial quota of allowances which would be "a sure way to demotivate those who are not deemed to be 'good'."

In Scotland, hopes for progress towards a settlement are concentrated on a meeting today of all the teaching unions north of the border, the council employers and Scottish Office representatives in the joint negotiating council on pay and conditions.

Both in Scotland and in England and Wales, the aim is to reach agreement on modification of the phased 16.4 per cent 15-month pay offers made by the Government.

SE displays European stock prices

BY CLIVE WOLMAN

THE stock exchange yesterday completed its programme of requiring market-makers to give firm dealing prices at which investors can buy and sell all European stocks on its automated quotations system, Seaq International.

Seventeen leading French stocks were quoted for the first time in firm dealing prices. This obliges the market-makers to buy or sell a minimum of, usually, 1,000 shares at the prices they quote on the screen whenever requested by investors.

At the same time, the Seaq International service has been upgraded to display the same "yellow strip" that is shown on the domestic Seaq service for UK equities. The yellow strip indicates the best available buying price and selling price

Court ruling confirms Norton Opax's control of McCorquodale

BY RAYMOND HUGHES AND DAVID GOODHART

NORTON OPAX has finally and uncontestably won control of McCorquodale in the marathon printing industry takeover battle which began last April.

The Court of Appeal yesterday dismissed a claim by Prudential-Bache, the US securities house representing the rival McCorquodale management buy-out offer, for an order quashing a Takeover Panel ruling that Norton had legitimately won control.

The court will give its reasons for its ruling and its decision on the important general issue of the legal status of the panel later – possibly by the end of this week.

Sir John Donaldson, the Master of the Rolls, said that the court was giving an immediate ruling on Pru-Bache's quashing order application "in view of market considerations."

"We take the view that the question of jurisdiction is a matter of considerable difficulty which we wish to take time to consider," he said.

Norton, the Harrogate-based printer less than a third the size of McCorquodale by market capitalisation, welcomed the decision.

Pru-Bache went to court complaining that the panel had misdirected itself when it ruled that a purchase of McCorquodale shares by the Kuwait Investment Office that tipped the balance in favour of the Norton offer had not resulted from a "concert party" agreement between Norton and KIO, one of the core underwriters of Norton's £155m bid.

Pru-Bache indicated it would not be pressing its case any further in the courts.

Daily Telegraph plans a £25m rights issue

BY RAYMOND SNODDY

THE Daily Telegraph is planning a £25m rights issue next year to repay short-term bank loans used to help finance its new printing plant in London's Docklands.

The issue will be underwritten by Hollinger, a company controlled by Mr Conrad Black, the majority shareholder in the Daily Telegraph.

As a result the West Ferry plant will be freehold rather than leased.

The company, which publishes both the Daily and Sunday Telegraph, has reported a loss before tax of £2m in the six months to September. The loss was £6.7m in the same period last year.

Lord Hartwell, the chairman, and Mr Andrew Knight, the chief executive, warn that operating losses are likely to be larger in the second half.

"It's going to be a very competitive winter," Mr Knight said yesterday. But circulation has stabilised at 1.13m, and Mr Knight believes the paper may break even by the early summer.

Competition in the quality end of the newspaper market has increased markedly with the launch in October of the Independent, which was founded by a group of former Telegraph journalists.

Coventry Climax's Swedish buyer seeks wider role

BY KEVIN DONE, NORDIC CORRESPONDENT

KALMAR INDUSTRIES, the Swedish group which is taking over Coventry Climax, the British forklift truck maker that went into receivership at the beginning of October, is the engineering division of Procordia, the Swedish state holding company.

Kalmar Industries operates mainly in the materials handling sector and includes Kalmar LMV, which manufactures medium and heavy forklift trucks.

LMV is one of several medium-sized forklift truck makers in Western Europe. It ranks a long way behind the market leaders Linde of West Germany, Fiat of Italy and Lansing Bagnall of the UK, but it has established a strong presence as a specialist manufacturer of heavy forklift trucks.

LMV had sales last year of SKr 473m (£47.9m) and profits (after financial items) of SKr 30.1m. It achieved a 23.7 per cent return on capital employed, virtually double the previous year, making it one of the most profitable manufacturers in a sector burdened by overcapacity and facing fierce competition from Japan.

LMV gains close to 30 per cent of its sales from Sweden, its largest single market, but some 73 per cent of turnover last year came from export markets, most importantly West Germany, France and the US.

It is the leading European maker of forklift trucks above 10 tonnes and is the world market leader for trucks above 20 tonnes, with a share of some 35 per cent. Last year it won an entry in the Guinness Book of Records with the manufacture of the world's first 80-tonne forklift trucks, for handling concrete pipes for an irrigation project in Libya.

It currently manufactures diesel trucks in the 3 to 80-tonne range and electric trucks from 2 to 7 tonnes.

Mr Per-Olof Dannestig, LMV managing director, said the Coventry Climax product range of small 1 to 3-tonne diesel trucks and 1 to 4-tonne electric trucks would complement and complete the LMV range.

Coventry Climax is virtually absent from exports markets, but it will now have the support of LMV's international organisation.

At the same time LMV will gain much-improved access to the UK market through the Climax distributor network, with 10 UK branches, a 25-strong salesforce and 125 service personnel.

Kalmar hopes that the service and parts business – there are some 15,000 Coventry Climax machines in the market – should give Kalmar Climax a "stable foundation."

The new company will also sell other Kalmar products in the UK, including conveyor belt systems, demountable bodies, side-loaders and four-way trucks.

The takeover of Coventry Climax is the second time that Kalmar has taken over a troubled forklift maker.

Last year it acquired Irion, the West German maker of side-loaders and four-way trucks with sales of some DM 30m (£10.6m).

The acquisition has strengthened LMV's service network in West Germany and France, and Irion has begun to operate profitably again this year.

LMV has been hampered hitherto by its limited international presence, a problem that has beset many of the operating sectors of Procordia.

Procordia had sales last year of SKr 12.2bn – of which engineering accounted for 15.6 per cent – profits (after financial items) of SKr 733m and a workforce of 24,350.

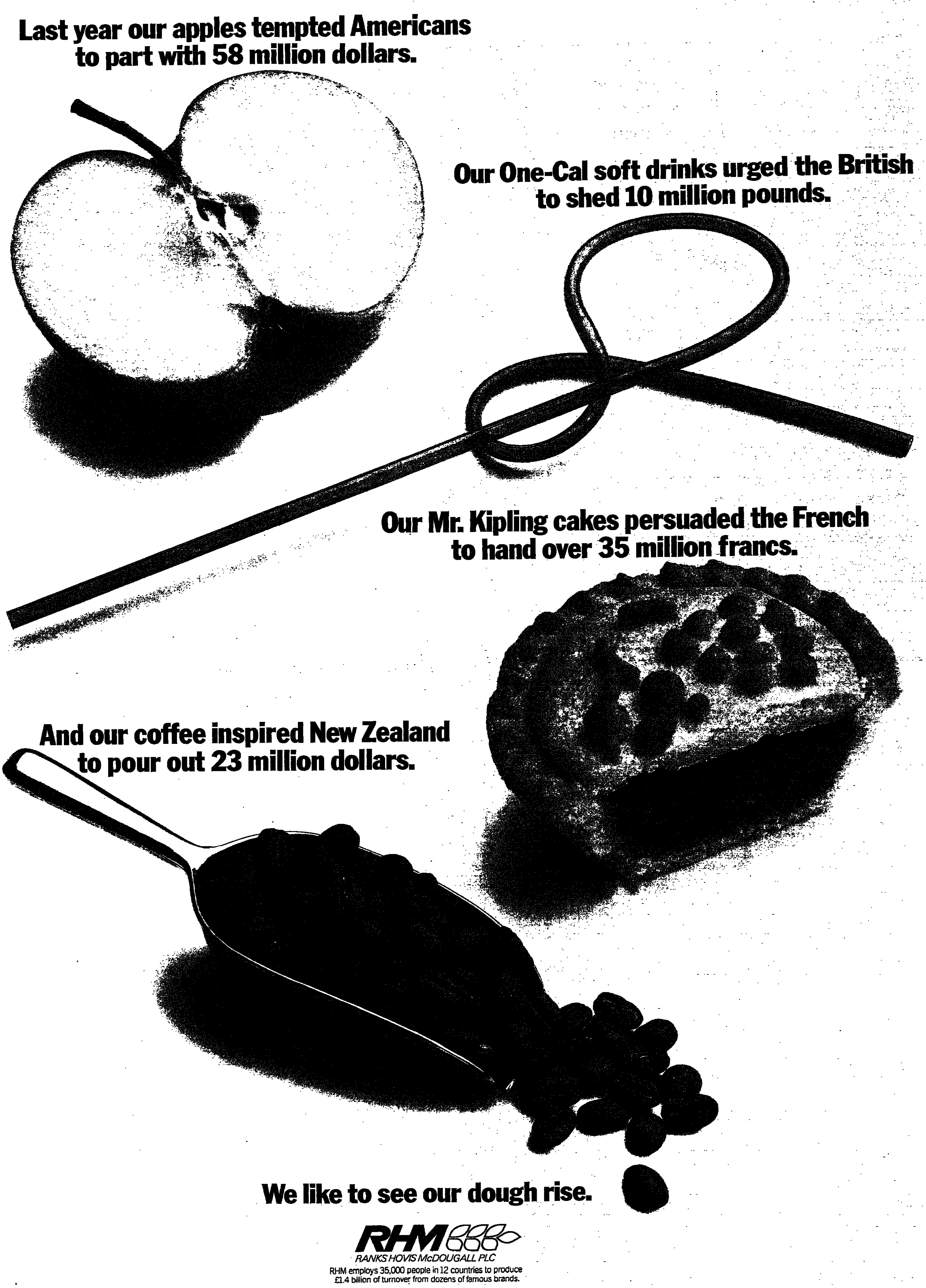
Its main operating areas are consumer products, services, chemicals and pharmaceuticals, engineering, textiles and publishing. In services it operates a chain of hotels and is in personal and office security through its subsidiary Arab. Since last year Procordia also owns Pripps, the leading Swedish brewery group with more than 50 per cent of the Swedish beer market.

The lion's share of Procordia profits comes from the Swedish Tobacco Company, which has 87 per cent of the Swedish cigarette market. It is the world's leading manufacturer of smokeless tobacco products following its acquisition last year of Pinkerton Tobacco of the US, the maker of snuff and chewing tobacco, and with Borkum Riff has one of the world's leading international pipe tobacco brands.

The Swedish state holding company changed its name to Procordia at the end of 1984 as a further part of the shake-up of Swedish state-controlled industries.

The heavy industry companies in sectors such as pulp and paper, iron ore and steel, were separated out, and Procordia was given the task of operating on normal commercial lines. The industry department is considering opening the group up to private capital with an eventual listing on the Stockholm stock market.

The group is being rapidly restructured.


Last year our apples tempted Americans to part with 58 million dollars.
Our One-Cal soft drinks urged the British to shed 10 million pounds.
Our Mr. Kipling cakes persuaded the French to hand over 35 million francs.
And our coffee inspired New Zealand to pour out 23 million dollars.
We like to see our dough rise.
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RANKS HOVIS McDOUGALL PLC
RHM employs 35,000 people in 12 countries to produce £1.4 billion of turnover from dozens of famous brands.

Paisley attacks tighter curb on Ulster marches

BY OUR BELFAST CORRESPONDENT

THE GOVERNMENT yesterday published proposals for new public order legislation in Northern Ireland, including stronger powers to clamp down on provocative parades and demonstrations.

Changes, foreshadowed in an announcement last March of a review of current legislation, met swift opposition from Unionists who claim that the measures were directed against them and were part of an Anglo-Irish agreement designed to appease Nationalists.

The Rev Ian Paisley, leader of the hardline Democratic Unionist Party, claimed that the legislation would be "a recipe for civil war."

Mr Tom King, the Northern Ireland Secretary, told the press conference that some of the proposals would be misinterpreted by "irresponsible people" seeking to provoke tension between the communities.

While the issues involved had been raised at meetings of the Anglo-Irish conference, the details of the proposals were not discussed there, he said.

The measures were designed to bring Northern Ireland more closely into line with Great Britain where the Public Order Act 1986 was now law.

They will strengthen the powers of the authorities to deal with processions and open-air meetings which could lead to disorder. Mr King said that, although most parades were peaceful, some were conducted in such a way as to intimidate others.

He hoped that the new law would be in operation in time for Ulster's traditional "marching season" next summer. There is to be a six-week consultation period to allow for objections.

The proposed order extends the period of notification of intended parades, widens the ground for banning them and gives the police extra powers to re-route them.

Mr King also announced proposals to strengthen the law on incitement to hatred and said the Government would repeal the 1974 Flags and Emblems Act. Nationalists have long believed that this act, passed by the old Stormont parliament, protected displays of the Union flag even when it was used to assert Loyalist domination.

Mr Seamus Mallon, deputy leader of the main Nationalist party, the Social Democratic and Labour Party, gave a general welcome to the proposals and said the measures to deal with parades were a significant improvement.

Mr Paisley said they would put "the Irish tricolour on an equal footing with the Union Jack" and claimed the clampdown on parades was designed to stop Loyalists protesting against the Anglo-Irish agreement.

He said Protestants would pull down any Irish tricolours erected in public and, if the police intervened, they would be "setting themselves against the Protestant people."

Dowty and CAP win submarine contract

By David Buchan

GRESHAM-CAP, a joint venture company of the Dowty and CAP groups, has won a £85m contract to develop and introduce in the early 1990s a new command system for Royal Navy submarines.

Company officials claimed yesterday that their new system, known as Successor, had already attracted export interest from foreign governments buying new submarines or refitting existing submarines.

Later models of the Type 2400 submarine, of which Vickers Shipbuilding and Engineering (VSEL) is launching the first, HMS Upholder, today and which VSEL is currently bidding to sell to Saudi Arabia, will be fitted with Successor.

In winning the fixed-price contract, Gresham-CAP beat competition from Ferranti, which has hitherto played the lead role in providing the Royal Navy with submarine command systems, as it still does in the case of surface-to-ship command systems.

Gresham-Lion Electronics was a significant collaborator with Ferranti in this area until its purchase a few years ago by Dowty.

WARNING ON THE IMPACT OF REDUCED FUNDING

British science 'faces brain drain'

BY DAVID FISHLOCK, SCIENCE EDITOR

HARD EVIDENCE is available that British science is in decline, especially in important areas such as physics, Professor Sir George Porter, president of the Royal Society, said in his anniversary address to the society last night.

Sir George said there was also evidence that Britain's funding of science was less generous than that of its main trading rivals.

Although a causal relationship between the two facts could not be proved, "it would be hard to deny it," Sir George said. He believed reduced funding for research damaged British science in two ways.

One was that, in a world of increasingly sophisticated scientific instrumentation, it might prove too little to fund the tools and support staff.

The other was that the financial rewards and future prospects for individual scientists might become so poor that the best were exported, especially to the US.

Already there was evidence that many of Britain's best scientists went to live overseas, often while at the peak of their creativity, he said. A quarter of the new fellows elected to the Royal Society this year live abroad, half of them in the US.

Sir George said the Royal Society believed that 82 of its fellows were currently resident in the US. "Their quality may be judged by their good addresses: six professors in Princeton, six in Chicago, five in Cornell, five at MIT, five in La Jolla, four in Caltech, three at Harvard, for example." Anyone living in Silicon Valley "will not be short of British neighbours," he forecast.

Corresponding figures for the US brain drain suggested that only one member of the US Academy of Sciences was living permanently in Britain.

For those who saw the Royal Society as what he called the "geriatric fringe" Sir George reminded fellows that most could relate how some of their very best students held full professorships in the best US universities "at an early age, with research facilities that would be regarded as lavish here, and a salary that would be unthinkable."

Sir George understood that 40 per cent of the research fellows of Trinity College, Cambridge, of the last 10 years were now living abroad.

It was very difficult to compete for the top people if nearly the same salary were being paid to all professors, as is the case in Britain.

Sir George warned that it would be naive to suppose that Britain would return to what he called the halcyon days of the 1960s.

ECGD to retain exchange rate aid

BY PETER MONTAGNON, TRADE EDITOR

THE GOVERNMENT is to assume direct responsibility for the costs of an Export Credits Guarantee Department (ECGD) scheme to provide British exporters with an exchange-rate guarantee when they bid for international contracts priced in foreign currencies.

The announcement yesterday by Mr Jack Gill, ECGD chief executive, will come as a relief to British exporters involved in the sensitive area of competing for major contracts abroad. Many had been worried that the facility would be curtailed as part of efforts to improve ECGD's financial performance.

The Government's decision follows an investigation by the National Audit Office into loss-making facilities operated by the ECGD. The investigation covered three schemes which have notched up an accumulated cash-flow deficit of £565m.

ECGD is already phasing out one of the schemes in question, the comprehensive short-term bank guarantee facility which protects banks against non-repayment of loans made to exporters, but Mr Gill said the tender-to-contract scheme would be retained.

"Ministers are persuaded that this is a sensible facility for our exporters to have, given the world they are competing in," he said. Other countries are able to provide their exporters with exchange-rate protection between the bidding stage and the actual award of a contract, but the service is difficult to price economically and the Government is to take over its costs.

A decision has yet to be taken on a third facility under review, the comprehensive external trade facility which provides insurance for goods shipped from one overseas country to another although Mr Gill hinted yesterday that it would probably be retained.

Findings of the National Audit Office inquiry were published yesterday as part of the Auditor General's review of the latest ECGD trading results. These include a forecast that its borrowing from the Government will rise to £1.1bn in the financial year to March 1987.

Irish judge rules today on book injunction

By Hugh Carnegy in Dublin

AN IRISH high court judge will decide today whether to extend a temporary injunction granted to the British Government last week against publication in Ireland of the book One Girl's War by the late Ms Joan Miller, a wartime British counter intelligence (MI5) agent.

Counsel representing Sir Michael Havers, the UK Attorney General, is presenting a case broadly similar to that of the British Government in Sydney, Australia, against Mr Peter Wright, a retired MI5 agent who is attempting to publish a book about his experiences in the UK secret service.

Mr Nial Fenelly, senior counsel, said that publication of One Girl's War would break the contractual duty of confidentiality of members of the British security services.

It raised the risk of other agents publishing similar memoirs and could cause irreparable damage.

For the publishers, Brandon Books, of Tralee, County Kerry, Mr Hugh O'Flaherty, senior counsel, argued that any malfunction in a foreign security service was not the concern of an Irish court. If there had been a breach of confidentiality in the British service, the court should simply say: "Too bad."

Treasury worries delay space shuttle decision

BY PETER MARSH

TREASURY worries about the impact of new space programmes on Britain's public expenditure are contributing to a delay by the UK in deciding whether to join a European Space Agency (ESA) scheme to design a mini space shuttle.

A decision on participating in the French-inspired Hermes project, intended to produce a small manned vehicle to ferry goods and materials to a proposed space station, had been due yesterday. But according to the British National Space Centre, the decision may not be announced for days or even weeks.

This is to give ministers more time to consider the Hermes scheme in the context of other new space programmes that could add greatly to Britain's spending on space science and technology.

Ministers are discussing all these details while preparing Britain's national space plan, a document setting out the UK's aims in space for the next decade. The plan – which could entail the UK's annual spending on civilian space science and technology rising by 70 per cent by 1990, to about £170m – is due to be published by Christmas.

APPOINTMENTS

Managing director of Citibank Savings

CITIBANK has appointed **Mr Paul Cohen** as managing director of Citibank Savings with responsibility for the mortgage banking division, finance house division, retail cards division and storecard. Since January 1986, Mr Cohen has been managing director of British National Life Assurance—a Citicorp subsidiary. He will continue to manage BNLA in addition to his new responsibilities. **Mr Tony Fitz-Simons** becomes managing director personal bank with responsibility for its existing retail branch activities in the UK and its future developments in retailing financial services. He joined Citibank from Grand Metropolitan where he was managing director of the Host group.

★

Reappointments to the NORTH WESTERN ELECTRICITY BOARD are **Mr John Parsons** (from January 16), managing director of Fairey Engineering, and of the specialist engineering division of Williams Holdings; **Mr Jack Brown** (from February 3), secretary of the textiles division of the General Municipal, Boilermakers and Allied Trades Union; and **Mr Neville Root** (from April 18), director of Walker Greenbank. All are for three years as non-executive members.

★

Mr David Carthy has been appointed to the board of BLUEBIRD TOYS as commercial director.

★

Mr M. R. Mobbs becomes director of business development (defence and aviation) for the ML HOLDINGS GROUP from January 1. He relinquishes his chairmanship and managing directorship of ML Aviation Co, but remains a director of ML Aviation in addition to his recent appointment to the boards of Slingsby and Hydro-Bond. **Mr Peter Pollock** becomes chairman of ML Aviation, in line with his chairmanship of all the group's subsidiary companies. **Mr James A. G. Luck** is appointed managing director of ML Aviation. He joins from the GEC Group.

★

GOLDEN WONDER has appointed **Mr Hugh Cripps** as operations director responsible for production in the company's five factories as well as purchasing and engineering. He was with Nabisco as operations director, biscuits.

★

Mr Graham Stubbs has been appointed as production director, GREENBROOK FURNITURE. He was previously with Kitchens Direct.

★

GRANVILLE TRUST, a new domestic retail banking services operation, part of Granville & Co, has made the following appointments: **Mr Michael Allsopp**, chairman, **Mr Ted Coltman**, managing director, and **Mr John Martin**, director and company secretary.

★

MICRO FOCUS board responsibilities are now: **Mr Paul O'Grady** (chairman), US sales; **Mr Colin West** (managing director), chief executive officer; **Mr Brian Reynolds**, products; **Mr Ian Cuffe**, non-executive; **Mr Paul Adams**, Japan operations; **Mr Ron Forbes**, group financial controller. Mr O'Grady will remain based in the US.

★

Mr Robert Ainsworth has been appointed finance director and **Mr Charles Benham** a non-executive director of THE PHOENIX TIMBER GROUP. Mr Ainsworth joins from Palma Group where he was group finance director. Mr Benham retired as deputy chairman of UCM Timber and chairman of the company's timber division earlier this year.

★

CITY OF WESTMINSTER ASSURANCE CO appointed **Mr Tony Roberts** as operations manager and appointed actuary.

★

Mr Alan Robinson has been appointed deputy general manager of NATIONAL WESTMINSTER BANK's business development division. Since 1983 he has been chief manager of 15 Bishopsgate office in the City. He succeeds **Mr John Burns**, who becomes general manager, financial control division.

★

Mr John H. R. Manners and **Mr John H. Hornby** will be joining the partnership of MACFARLANES on January 1.

★

Dr Nils Leffler has been appointed managing director of ASEA UK, succeeding **Mr Eric Drewery**, who becomes chairman from January 1. Dr Leffler was general manager of ASEA Industrial Electronics. Mr Drewery will simultaneously take up a newly-created post as chief executive officer of ASEA Holdings with overall responsibility for the activities of the Asea Group companies in Great Britain.

★

DALE ELECTRIC INTERNATIONAL has made the following appointments in subsidiary companies: **Mr Howard Hunter** becomes managing director of Erskine Systems, replacing **Mr Roy Morris** who died in August, Mr Hunter was works director. **Mr John Armistead** is made a director of Dale Electric of Great Britain. He is company secretary of the subsidiary, and will operate as financial director.

MANAGEMENT : Small Business

Self-employment and unemployment

An unequal balance

BY AMIN RAJAN

THE UK Government's decision to include the self-employed in the formula for calculating the national unemployment rate—a move that will make the numbers of unemployed look less—underlines the fact that growth in self-employment is one of the key features of the UK labour market in this decade.

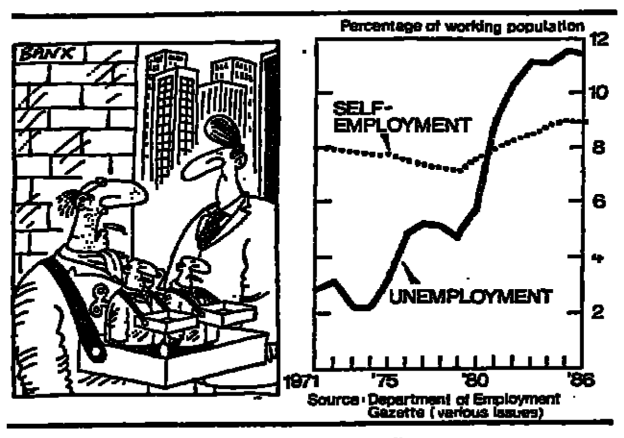
While the number of people in employment has declined by 1.8m in the 1980s, those in self-employment increased by 0.7m; the latter recorded the fastest increase in the post-Second World War period. This growth lies at the heart of the Government's twin claim that the enterprise culture is taking root and that Britain has created more new jobs than any other EEC country since 1982. The published statistics support the contention. But how reliable are they? In any event, to what extent does such a growth constitute genuine job creation?

In answering these questions, first consider the definitions. Not all self-employed can be regarded as entrepreneurs. Some—like home-workers, sales people working on a commission-only basis, and construction workers on the "lump"—are nominally self-employed in the sense that they do not have regular earnings.

The scope for business or personal advancement, too, is limited. Little capital investment is involved. Their chances of earning high rewards are low because being self-employed does not involve risk-taking.

Others—such as doctors and lawyers — are self-employed simply because of the nature of their profession. An unpublished study* has calculated that only 40 per cent of the self-employed can be considered as entrepreneurs. This is a minor point, though; entrepreneurs or not, at least all self-employed are engaged in some form of economic activity and contribute towards the national output.

The real shortcoming of the figures relates to their seeming unreliability. Since 1979, they have been based on the annual Labour Force Survey of 100,000 workers. The survey is used to roll forward the benchmark established by the 1981 Census of Population. In the census many participants describe themselves as self-employed, even if they fall outside the official definition.



"Specialised knowledge has got me nowhere"

Data deficiencies notwithstanding, it is clear that the underlying trend in self-employment has climbed firmly upward since 1979. The causes are not hard to discern.

First and foremost is rising unemployment. Self-employment reached a peak after the Second World War in the early 1970s and started a decline thereafter. The onset of the 1979-81 recession and the accompanying leap in unemployment reversed the trend (see chart).

Unemployment provides a potential pool of self-employed. However, the link is suggestive, not definitive. Whereas unemployment has occurred in manufacturing, much of the growth in self-employment has been in services, requiring different skills. Self-employment has grown fastest in personal services like hairdressing and dry cleaning, or business services such as security, software and accountancy. The first two have assisted women; the others, the professional occupations. Furthermore, women have benefited most; their share in self-employment rose from 19 per cent in 1979 to 25 per cent in 1986.

Thus, there remains a mismatch between the backgrounds of the unemployed and the self-employed in recent years. The recent OSG Study† showed that only 12 per cent of the respondents identified unemployment—or threat of it—as the cause of new business starts.

Nor is self-employment entirely about genuine job creation. This much emerges from the OSG study which identified a large number of industries, such as metal goods, engineering and construction, where growth in self-employment has been occurring in response to changing production methods.

Many companies — both service- and production-based — are cutting their labour forces by sub-contracting various secondary activities to outside specialists. These sub-contractors have lower overheads and high labour productivity, which gives them a favourable cost advantage—sometimes as high as 60 per cent.

Any new employees taken on as a result of gaining the extra work at most only compensate for the main contractor's redundancies. It is only when the outside specialist is able to capitalise on finding market niches and compete with importers that genuine new jobs are created.

The OSG study also identified a number of areas where self-employment came about simply as a result of changing job status — from employment to self-employment — within large employers.

An example of this is an oil major which had 1,300 employees in its filling station network. It reduced this to 100 supervisors by leasing the stations to 700 self-employed managers who employed 300 junior assistants (in both cases partly former employees). This was merely redistributive and not creation of self-employment.

The substantive point is that growth in self-employment is free of neither displacement nor spuriousness. Given that, the study suggests that anything up to a half of growth in self-employment could be genuine job creation — equivalent to about 400,000 new jobs in the period 1979-86 and a further 100,000 over the rest of this decade.

If international experience is anything to go by, there is ample potential for further growth; next to Sweden, the UK has had the lowest proportion of self-employed in the total workforce in recent years.

Policy devices such as the Enterprise Allowance and Loan Guarantee Scheme doubtless have a role to play in creating self-employment. But effective counselling and training is also greatly needed.

First and foremost, survival prospects are a matter of personal skill and competence in five general functions: planning, marketing, accounting, selling and inter-personal communication. Specialised knowledge in itself is not enough.

Accordingly, the public provision of training for the self-employed requires a fresh impetus in scope and content. Specifically, it needs to be targeted at women and ethnic minorities who evidently account for the largest component of growth. In terms of content, the provision needs to extend beyond the "first principles" of how to start a business. If self-employment is genuinely to create new jobs, then the quality of training is far more important than chipping away at "red tape." The recent government intention to offer help to established small businesses as well as new-starts is a move in the right direction.

* *The Self-Employed: Conference Paper on Self-Employment Research and Policy, Manpower Services Commission: J. Sidaway, 1983.*

† *UK Occupation and Employment Trends to 1990: An Employer-based Study of the Trends and Their Underlying Causes: Edited by Amin Rajan and Richard Pearson; Butterworths (1986).*

Amin Rajan is a research fellow at the Institute of Manpower Studies, Sussex University, Mantell Building, Brighton, BN1 9RF.

EEC call for policy on technology

SMALL AND medium sized enterprises (SMEs) within the EEC should be given special treatment to encourage them to innovate and make the most of new technologies, says a report by the Economic and Social Committee. The Commission, it suggests, should look again at the problem of financing and particularly at its proposal, developed in 1983, for a European innovation loan scheme.

Additionally, says the report*, "the Commission should review the opportunities to provide a credit guarantee association at Community level to encourage research and development by SMEs in certain advanced technologies. The Commission should also consider the need for low cost loans to encourage investment by SMEs in the latest technology—either by loans through the European Investment Bank or by providing a Community subsidy channelled through the banks at member state level."

The report reckons that one of the fundamental causes for the current low level of technological awareness and exploitation stems from as fundamental a weakness as the standard of primary and secondary education. "Early education which motivates its people away from technology and away from industry will wreck the university technology system which has developed in recent years to increase the transfer of state of the art technology to industry."

Member-state governments, it is suggested, can play their part in encouraging technology transfer by supporting an efficient national standards institution charged with ensuring that there are modern standards and codes of practice in all relevant industries.

Big business and other large organisations have their part to play. Their behaviour towards SMEs is vital in encouraging small businesses in all areas of technology. "This is too important to be left to free enterprise. Governments need a definite policy to ensure a mechanism to prevent SMEs from always being swamped by larger companies."

SMEs would best be served "if each member state had a minister responsible for science and technology. Relevant council meetings of such ministers could be held to speed the development of the European Technological Community."

In brief . . .

IN ITS first two years, Aberdeen Enterprise Trust—launched to help create jobs in north east Scotland, has given 4,000 free consultations to 1,200 would-be entrepreneurs and 290 existing small businesses.

It has helped in the creation of nearly 300 new businesses, employing 650 people, and over 90 per cent of them survived beyond their first year. The cost per new job, says the trust, was £300 and per new business £700.

●

CAUSEWAY Venture Capital has raised a further £20m from institutions for venture and development capital investment. This brings the total under management by Causeway, an independent investment company formed three years ago, to £33m.

The new money will be invested in UK unquoted companies, ranging from established businesses requiring development capital to medium-sized management buy-outs and start-ups. Normally, each investment will range from £350,000 to £1m.

●

STUDENTS at Aberdeen University have launched a magazine designed to encourage students to set up in business on their own. Called Initiative!, the magazine is sponsored by BP, Britain's major oil group which itself has a record of encouraging enterprise.

In its first issue, Initiative! has sought encouragement for its project from a number of captains of industry, including Lord Hanson, chairman of Hanson Trust, the industrial conglomerate, who has passed on his own views of what constitute the key ingredients to his company's success.

As well as articles on a variety of figures in industry, fashion, sport and music, the magazine provides a directory of small business contacts for those seeking advice, training or finance.

●

THE AUTUMN ISSUE of the International Small Business Journal includes an analysis of the different prime objectives of indigenous small firms in South Korean and Japanese joint ventures operating in Korea. A key factor to emerge is that indigenous firms display a greater effort to assimilate technology and also a greater interest among top management towards innovation compared with the Japanese joint ventures.

Indigenous firms also place greater importance on long range planning / forecasting for technology and investment while the joint ventures are more export-orientated and place greater importance on long range planning/ forecasting for market demand. The journal is available from Woodcock Publications, 26 Church Street, Wilmslow, Cheshire SK9 1AY. One year's subscription costs £48.

●

DO YOU MIND what friends and business colleagues say about you? Do you have a clear idea of a special ingredient which will make your business successful? Are you prepared to speak your mind and be awkward even if it may cause offence?

Your answers to these and other questions will govern your likelihood of succeeding as an entrepreneur, according to accountants Touche Ross.

For a questionnaire forms part of the firm's new Guide to Business Growth. The author, partner Brian Jenks, maintains that entrepreneurial ambition in the UK is being stifled because it is "too much trouble to break out of the mould."

Jenks also reckons that there is still a funding gap—between £20,000 and £100,000 despite the proliferation of different types of financing in recent years. "The Department of Trade should take a close look at this important gap."

The Touche Ross guide looks at all elements of starting up in business, including the area of activity to be chosen, business plans, structure, finance and management. The guide is available from Touche Ross, Dept ISD, 1 Hill House, 1 Little New Street, London EC4A 3TR, price £4.95, incl. p. and p.

●

COMING UP Trumps is the title of a new publication aimed both at bridging the divide between school and work and describing the general principles of management, particularly for the self-employed. The publication is being produced in two editions; the first is aimed at schools, the second at bookshops, with the latter containing case histories of businesses.

The format used is relatively lighthearted, with cartoon material being used at times to illustrate specific points. A number of companies have sponsored the schools edition, enabling it to be distributed widely free of charge. The bookshops edition is £3.95. The publisher is Phipps Radburn Publishing, 43 Leckford Road, Oxford OX2 6HY.

Growth for CoSIRA

THE Council for Small Industries in Rural Areas continued to expand its efforts in 1985-86 to promote the growth of small companies in the UK; the number of small firms it assisted in the year rose by just over 8 per cent to almost 20,500. The number of people employed by these firms totalled nearly 100,000.

A total of 31,266 visits to small firms were made by Small Industries organisers, while advisory staff made 12,995 full-day and half-day visits. These figures are revealed in the annual report of the Development Commission, of which CoSIRA forms a part.

The Development Commission itself stressed that people in rural areas face a major challenge because of rising unemployment, limited housing choice, closure of schools and a serious lack of services which urban dwellers take for granted.

A record number of completions and lettings was achieved under the commission's wholly-financed factory and workshop programme. Nearly £15m was invested in the workshop programme. Some 337 advance workshops and custom-built units were completed (with a further 186 under construction), and 447 units were let or sold to new occupiers, an increase of 56 per cent on the previous year.

The commission's redundant building conversion grants, which are administered by CoSIRA, are seen as a highly cost-effective way of renovating or modernising redundant rural buildings in the Rural Development Areas for job creation. Last year 315 grants were approved and the amount of grant paid was a record £1.6m, raising the cumulative amount of grants to £4.5m.

One small, but practical development in the year was the launch, with the approval of the Association of County Councils, the Association of District Councils, the Crafts Council, the Design Council and the Department of Transport, of two styles of roadsign specifically developed to make it easier for rural businesses to advertise their presence.

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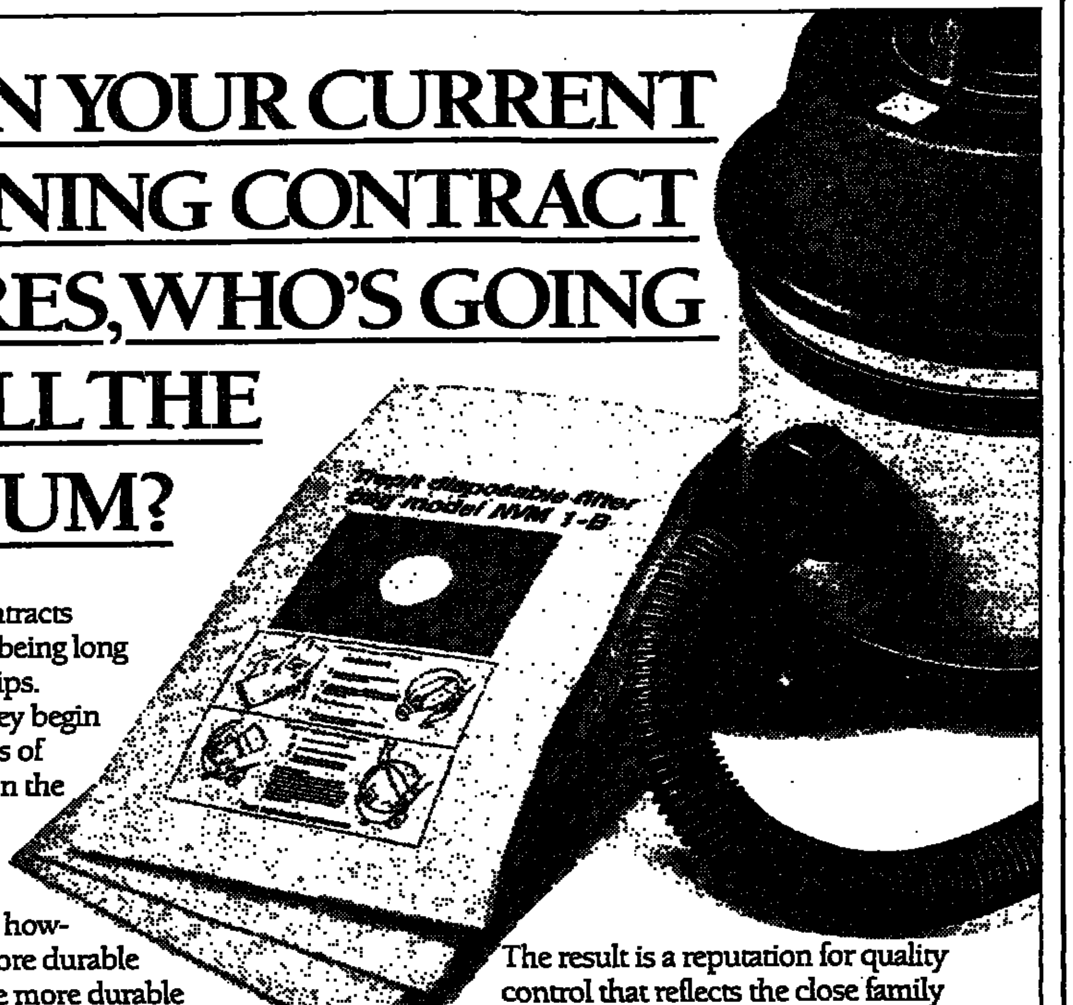

FT COMMERCIAL LAW REPORTS

Time for bringing road carriage claim

ICI LTD FIBRES LTD v MAT TRANSPORT LTD
Queen's Bench Division (Commercial Court): Mr Justice Staughton: October 27 1986

WHERE GOODS are despatched under a contract of carriage by road and are involved in a road accident, they are deemed to be "lost" for limitation period purposes if they do not reach their destination, though they retain some salvage value and are therefore in fact damaged, not lost; and the time for bringing proceedings against the carrier can be suspended before it begins to run and before the claim is quantified, by written notice of intention to hold him responsible.

Mr Justice Staughton so held when giving judgment for the plaintiffs, ICI Fibres Ltd and ICI France SA, on their claim against Mat Transport Ltd, carrier of ICI's goods by road, for loss incurred in respect of the goods as a result of a road accident.

Article 32 of the Convention on the Carriage of Goods by Road provides: "(1) The period of limitation for an action arising out of carriage under this convention shall be one year. The period . . . shall begin to run: (a) in the case of . . . damage . . . from the date of delivery; (b) in the case of total loss . . . where there is no agreed time limit from the 60th day from the date on which the goods were taken over by the carrier . . . (2) A written claim shall suspend the period of limitation until such date as the carrier rejects the claim . . . in writing . . ."

Article 20: "The fact that goods have not been delivered within 30 days following expiry of the agreed time limit or, if there is no agreed time limit, within 60 days from . . . when the carrier took over the goods, shall be conclusive evidence of the loss of the goods, and the person entitled to make a claim may thereupon treat them as lost."

Article 23: "(4) . . . carriage charges . . . and other charges incurred in respect of the carriage of the goods shall be refunded in full in case of total loss . . ."

Article 25: "(1) In case of damage the carrier shall be liable for the amount by which the goods have diminished in value . . ."

HIS LORDSHIP said that in September 1982 ICI despatched a quantity of yarn for carriage by road to the south of France. Mat Transport was the carrier. The goods were taken over by Mat on being loaded at Harrogate on September 28.

The lorry did not get much beyond Calais. It was then involved in a road accident and the goods were seriously damaged.

By a letter dated October 11 1982 ICI wrote to Mat referring to the accident, and stating: "We must hold you responsible for any losses we incur."

The goods were returned to Harrogate in January 1984 and a joint survey was held. The surveyors said the yarn could no longer be used for the purpose for which it was originally intended. The parties agreed that the consignment was fit only for salvage and that a bid of £6,515 would be acceptable. The sound value of the consignment was agreed at £24,335.

ICI followed up its letter of October 11 by a letter dated March 28 1984 *intimating the* nature, extent and quantum of the claim and enclosing a debit note for £17,819 in respect of loss or damage to the goods.

The claim was rejected by Mat for the first time in a letter dated December 14 1984.

In the present action ICI claimed £17,819 in respect of the goods, and a survey fee of £155. The defence admitted the loss.

The first issue was whether the claim was time-barred by article 32(1) of the Convention scheduled to the Carriage of Goods by Road Act 1965 ("CMR").

Mat submitted that it was a case of total loss so that paragraph 1 (b) was applicable and the one-year period began to run 60 days after it took over the goods. ICI submitted it was a case of damage within paragraph 1 (a), and that the one-year period had not yet started to run since there was no delivery to the consignees at the destination.

"Total loss" in article 32(1) included no more than what was called an actual total loss in section 57(1) of the Marine Insurance Act 1906—where the goods were destroyed, or so damaged as to cease to be a thing of the kind entrusted to the carrier, or where the owner was irretrievably deprived of them.

The yarn was not an actual total loss.

By section 60(2)(iii) of the 1906 Act there was a constructive total loss in the case of damage to goods "where the cost of repairing the damage and forwarding the goods to their destination would exceed their value on arrival."

The yarn was a constructive total loss within that definition, but the concept of constructive total loss was not applicable to the Convention. In England the concept was largely peculiar to the law of marine insurance (see *Moore v Evans [1917] 1 KB 458, 468)*. The authors of the international convention should not be assumed to have had it in mind.

In *William Tatton [1974] 1 Lloyd's Rep 203* Mr Justice Browne, referring to goods which were damaged so that they only had scrap value, said: "This was a case of damage . . . not of loss." In *World-wide Carriers [1983] 1 Lloyd's Rep 61*, where boxes of steelcord were exposed to the weather as a result of an accident and became useless having no value other than scrap, Mr Justice Parker agreed. He said: "Had the goods in fact been reloaded and delivered instead of being returned, it would be doing violence to the language to say the case was one of loss and not damage."

Following those views, this was a case of damage rather than loss so far as the goods were concerned.

But the goods were not delivered in terms of article 20, within 60 days from when Mat took them over. That was said to be conclusive evidence of the loss of the goods, with the result that "the person entitled to make a claim may thereupon treat them as lost."

Mr Meeson, for ICI, submitted that it was not bound to take that course. It might, if it chose, treat the goods as damaged: and it did so choose. Mr Hooper, for Mat, said that the lapse of 60 days was conclusive evidence for both parties and that ICI was *obliged* to treat the goods as lost.

So far as limitation and the running of time were concerned, the parties were entitled to know where they stood. For that purpose, at any rate, non-delivery within 60 days was conclusive evidence binding on both parties that there had been a loss of the goods; and the time limit provided by article 32 (1)(b) was applicable.

ICI's claim was *prima facie* time-barred under article 32 (1)(b).

The second issue was whether ICI's letter of October 11, 1982 was a written claim within article 32(2).

Mr Hooper argued that a claim must be quantified and must be a present demand rather than an indication of a possible claim in the future.

In *William Tatton* Mr Justice Browne said: "The natural meaning of the word 'claim' would certainly include a general intimation of intention to hold the carrier liable."

The letter of October 11 was a sufficient written claim.

The third issue was whether the limitation period was suspended though it had not begun.

Article 32 defined the period of limitation as one year. It was preceded, where paragraph 1(b) or 1(c) applied, by an antecedent period of 60 days in one case and three months in the other.

Mr Hooper submitted that a written claim made during the antecedent period could not suspend the limitation period, as the limitation period was not then running. It could not suspend the antecedent period, he said, because the article did not say that it could.

There was no reason why the Convention should have that result, nor why the owner of goods should lose his rights if he made a claim too early.

A written claim, unrejected, suspended the limitation period as soon as it began to run, if it had not already begun.

The fourth issue was whether the survey fee was recoverable.

It followed from what had already been decided that Mat was liable for the difference between the sound value of the goods and the amount achieved on resale. But there was also a fee of £155 for arranging a joint survey.

The question was whether that was covered by article 23, if the claim must be for loss, or by article 25 including the provisions incorporated from article 23, if the claim were for damage.

In *William Tatton* Mr Justice Browne said: "Article 25 provides that the measure of damage for damage to goods shall be the amount by which the goods have diminished in value . . . I do not feel able to add to this figure the expenses claimed. . ."

However that passage had to be read in the light of the decision of the House of Lords in *James Buchanan [1978] AC 41*.

The court was entitled to hold that the survey fee was recoverable as "other charges in respect of the carriage of the goods."

Also, on the facts of the case, the survey fee was part of the cost of realising the damaged value of the goods, and so should be deducted from the sum actually realised before credit was given for the net amount. That had been decided by the Amsterdam District Court.

There would be judgment for ICI for £17,974.

For ICI: Nigel K. Meeson (Hill Dickinson and Co).

For Mat: Julien A. Hooper (Barlow Lyde and Gilbert).

By Rachel Davies
Barrister

Art Galleries

Company Notices

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On December 1 1986, Dividend No. 77 of three per cent for the six months ending December 31 1986, was declared payable on Sunday, February 15 1987, to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on Friday, December 19 1986, and to persons presenting coupon No. 78 detached from stock warrants to bearer. A notice regarding payment of the dividend on coupon No. 78 detached from stock warrants to bearer will be published in the Press by the London secretaries of the company on or about Friday, December 5 1986.

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By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. W. KETLEY
Divisional Secretary

Head Office: 44 Main Street Johannesburg 2001
London Office: 40 Holborn Viaduct London EC1P 1AJ
December 2 1986

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Registration No 05.08081/06

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ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per T. S. JOHNSON
Divisional Secretary

Head Office: 44 Main Street Johannesburg 2001
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December 2 1986

Rimsky in Washington

The Washington Opera has embarked on its longest season ever: 76 performances, eight operas, one of them a world premiere (Menotti's *Goya*), and only two of them (*Il trovatore, Don Pasquale*) standard fare.

Trovatore began the season. It need not detain us: an international-routine performance, in grey scenery by Nicola Benois (bits of masonry variously assembled). Max Loppert wrote earlier this year about Stefania Toczyska's Azucena and Franco Bonisolli's Manrico. The Luna, Cornelis Opthof, was a substitute. Leonora was Susan Dunn, one of America's three new Verdi sopranos (the others Aprile Millo and Carol Vaness). She has a large, healthy, well-schooled, voice of considerable merit; a large, calm presence; and, apparently, no temperament whatsoever. Daniel Oren conducted, energetically, but not responsively to what the singers were actually doing.

Then come *The Tscar's Bride*, unheard in America for 50 years. It was conducted by Rostropovich, ardently. It was produced by Vishnevskaya (the Marfa of the Bolshoy recording), not in Stanislavskian detail, but along the right lines. A co-production with the Monte Carlo Opera, it boasted an abundance of richly detailed costumes and traditional scenery (perspective sometimes awry) by Zack Brown.

Rimsky-Korsakov is an underrated and underperformed composer. Outside Russia, only *The Golden Cockerel* is done fairly often. People write of his cold glitter. In the theatre—*Snow Maiden* at Sadler's Wells in the old days, in this country a 1977 *Christmas Eve* at Bloomington, and a 1983 *Kitezh* in Boston—he proves warmly, wonderfully moving: a romantic visionary, inspired by nature, by history, by fairy tales that are at once enchanted, spectacular narratives and mythic patterns of human behaviour.

The Tsar's Bride is an historical drama. Marfa the soprano) is chosen by Ivan the Terrible as his bride when she is on the point of marrying her Vanya (the tenor). Gryaznov (the baritone) also desires her, and has slipped what he believes to be a love potion into her betrothal cup. But his jealous mistress Lyubasha (the mezzo) has substituted for the potion a slow poison—which she has obtained from the Tsar's physician, Bomelius, at the price of submitting to his horrid embraces. It sounds like the Russian counterpart of many an Italian *melodramma*. In fact, it has particularity and—unlike *Ballo*—couldn't be shifted to other periods, other settings. The careful historical details are not only picturesque; they play a part in the drama.

Elizabeth Knighton was most of the time an exquisite Marfa, pure and true of tone, supple and sensitive in her phrasing, never straining or forcing — and so steady that some passages of imperfect pitch could not be overlooked. All the others pushed their climaxes—victims of what Will Crutchfield has called the "maximum-output" malady, which turns expressiveness into noise. Or as Stanislavsky put it to his cast when producing *The Tsar's Bride*: "You do not need such large sounds... You have a voice, which better than any instrument can express emotion, and you treat it like a trombone."

Cleopatra Ciurca, the Lyubasha, had surely not listened to Alma Gluck's pure, poignant, shining record of the unaccompanied aria; but she deployed an effective trombone in the Act 2 scena and aria. Vyacheslav Polosov, the Vanya was a stick with some stirring high notes. Ivan Konsuolv, the Gryaznoy has a rough but imposing baritone, and he rose to tragic grandeur in the final scene. In the smaller roles, Stephen Dupont (Glyndebourne's Masetto, here a convincing Sobakin, Marfa's father), Howard Bender (an incisive Bomelius), and Jeryl Metz (a vivid Caburova cruelly deprived of her scena) were outstanding. And the men of the chorus—both here and in *Il trovatore*—were brave and ringing.

The cuts were unjustified. *The Tsar's Bride* is not a long opera: 2½ hours of music in the Bolshoy recording, only two hours in Washington. Suborova's narrative — a big moment in earlier productions of the opera —tells of the Tsar's choosing his bride, on which the plot turns. (In Washington, the beauty contest was mimed during the Act 3 prelude — with comic effect, since the music allowed Ivan no time for more than a perfunctory glance at each candidate.) But all in all it was a good evening.

Andrew Porter

Abbado/Barbican Hall

Richard Fairman

While rumours fly as to who will be leading London's orchestras into the next decade, two of the main protagonists in the drama joined forces on Sunday for a concert at the Barbican. This was a partnership between Vladimir Ashkenazy and Claudio Abbado, here appearing as pianist and conductor respectively in Brahms's First Piano Concerto.

In their approach to music-making these two artists are sufficiently close to make a good team. Each is cogent and clear-headed as an interpreter. Each refrains from gestures that are excessive or indulgent. Their view of this Brahms concerto was more or less unanimous: the score came across as the music of a young man (Brahms was only 20 when he began it) to be played with boundless energy and panache.

In Ashkenazy's case the interpretation is largely conditioned by the sound he makes at the piano. The warm, mellow tone colours that other pianists reserve for this composer do not come easily to him. Quiet passages, such as the opening of the slow movement, were hushed and reflective, but in a way that kept a cool clarity of sound as a premium, while some of the more energetic parts of the score were positively harsh in their forcefulness.

It follows that different sections of the score could become too disparate in mood, an effect that I also recall when Pollini gave this concerto with Abbado some years ago. Ultimately the best of this performance came in its sheer propulsion and excitement, though it is also good to know that Ashkenazy can tackle the ferocious double octaves and trills with as much accuracy live as he did on his recent recording.

After the interval Abbado returned to direct an admirably unfussy and impassioned performance of Chaikovsky's Sixth Symphony. But he really was not rewarded with playing of an appropriately high standard by the London Symphony Orchestra. On all sides there were minor failings—the scrappy string figures in the first allegro, an over-prominent tuba, odd slips in the woodwind—that finally added up to a major disappointment.

"Ghosts" transfers

The Young Vic's production Ibsen's *Ghosts* with Vanessa Redgrave and Tom Wilkinson has transferred to the Wyndham's Theatre for a nine-week season.

Façade of the Musée d'Orsay from the river

Musee d'Orsay, Paris/William Packer

Celebration on the Seine

Yesterday in Paris President Mitterrand at last gave the new Musée d'Orsay his official blessing. Further celebrations, receptions and a final wash-and-brush-up occupy the rest of the week until on Tuesday next, December 9, the doors are thrown open to the public. After more than a decade of political doubt, revision and delay, the cultural gap is plugged between the Louvre and the Centre Pompidou, the greater part of the 19th century is properly celebrated as the period of phenomenal creativity we now know it was, and Paris has yet another magnificent museum of art. Indeed it is already vaunted as the most important such development in Paris, or anywhere, in this latter half of our century — and for once, leaving aside all the natural excitement and enthusiasm of the moment, the boast may just about be right.

How very different it could all so easily have been. In the interval since the idea of a museum of the fine, decorative and applied arts of the 19th century was first mooted, the world has moved on. While scholarship and criticism have grown into the opportunity that was then envisaged, of taking a truly catholic, generous and unprejudiced view of the period that takes us from Romanticism across the threshold into Modernism, so the spirit of architectural planning and redevelopment that only lately had blithely allowed of the site for the Pompidou and the levelling of *les Halles*, has turned more to conservation and adaptation.

The old *Gare d'Orsay*, a vast and handsome *fin de siècle* pile by Victor Laloux on the left bank of the Seine opposite the Tuilerie Gardens, had by 1939 been reduced to serving only suburban traffic and by the late 1950s was altogether redundant. It was used occasionally in the 1960s as a film location, but the SNCF could find no proper use for it and eventually put it up for sale. By 1971 it was due for demolition, but the permission was vetoed at the last moment by the then Minister of Cultural Affairs, M Duhamel, reflecting some official remorse at the loss of *les Halles*.

By 1973 the Gare d'Orsay was listed as an historic monument and its physical safety, if not its use, assured. The museum we now see was fixed upon in principle under President Giscard d'Estaing in 1977 and the work begun in 1980. The result is not without its controversial features. Madame Gae Aulenti, who seems to be to museum architecture in France and Italy what our own James Stirling is in Germany and England, was entrusted with the general conversion of the building to modern museum practices, and in particular with the design of the free-standing structure within the huge interior concourse beneath the high arched canopy of ornate steel and glass.

We enter from the *rue Bellechasse*, pass through the well appointed entrance halls and lobbies and descend to the lowest level to start our tour. The effect of this enormous station space at this point, with the high curve of the roof now more than 100 feet above and stretching away several hundred yards, is remarkable. The bustle and clatter may be lacking but there is, in the scope and feel of the place and the echoing footfalls and murmurings of the visitors, a muffled but authentic and familiar sense of the railway station that once it was.

But if Mme Aulenti has done nothing to suppress such grand and resonant railway architecture, she has been quite unconcerned either to match or to complement it in her concourse installation. Here it is something entirely of itself, to be taken on its own terms, and at this lowest point it is at its most assertive. A long stepped ramp, punctuated with sculpture set high against the light, rises gently between two long, low structures, faced with pink stone and set like a range of tombs or temples in some ancient, pre-classical city, which furnish the initial run of galleries.

Crisp, geometrical and emphatically horizontal by contrast with the station's own ornamental richness, this internal architecture is not without its own austere quirkiness and formal wit. Post-modern is perhaps too general a term and Mme Aulenti's neo-art deco, once we grow used to it, is discreet enough to serve the painting and sculpture modestly and effectively—a commission not every architect is disposed to honour. Her only major misjudgement is her indulgence in the two featureless towers that rise together high into the roof at the far end of the concourse, where the ramp meets the entrance level. Their only function is to afford a view from the top.

But the concourse is not the whole museum. At ground level bays and galleries run off the central space into the administrative parts of the old station. Here the question is one of cladding the walls, adapting and breaking down the existing space and again it is well and, if anything, even more discreetly done. The feeling is neither challenging nor assertive but easy and reassuring. We may be in a museum we did not know before, but feel no surprise that it is indeed a museum, for all its new paint and smartness.

A balcony given over to sculpture rings and defines the concourse at first-floor level, again with galleries leading off to either side. And so we rise to the highest of the principal levels which, with its view high across Paris to Sacre Coeur as a bonus, is in many ways the most spectacular and seductive of them all. An open run of galleries along the length of the Musée d'Orsay on its aspect to the river holds and celebrates in a natural light many of the greatest works of Impressionism, arranged by artist or by the integral collections by which they were given to France. Many great works of Impressionism lie elsewhere in the museum but here, on the top floor, they are celebrated less for their historical and comparative place than simply for themselves.

But I must return to the collections in a further article on Thursday. A new museum is a wonderful thing, but what makes the Musée d'Orsay so special is not just its architecture, though Mrs Aulenti has won me over firmly to her side: the museum is perhaps unique in its conception and the critical shift it represents. The works it holds have come from the Louvre, the Jeu de Paume — now emptied for other exhibition use — and from many other national collections. It gives us little that is unknown exactly, and a mass of stuff that is deeply familiar, and yet brought together in this way *how fresh and new it all seems*. We sense in ourselves a revival of critical curiosity and a preparedness to reconsider judgments long held absolute on a period of great art hitherto dismissed far too lightly. Our view of the 19th century can never be quite the same again and the Musée d'Orsay is both part of that process and its monument and celebration.

'The Mother' at the Cottesloe

The National Theatre workshop presentation of Brecht's *The Mother*, which has been touring Britain, will finish its run with eight performances in the NT's Cottesloe Theatre from December 11-20.

Yvonne Bryceland leads the cast as The Mother.

View of the central aisle of the Musée d'Orsay with "Sapho" by James Pradier in the foreground

Pears tribute/Covent Garden

Max Loppert

Peter Pears, who died earlier this year, was bade a fond musical farewell at the Opera House on Sunday. The concert, given (in the presence of Princess Alexandra) in aid of the Aldeburgh Appeal, collected upon the stage a great number of fine musicians—the City of Birmingham Symphony, the Philharmonia Chorus, a group of Westminster Cathedral choristers (heard from backstage), and Simon Rattle as conductor. It was a serious occasion, but not an overbearing one: the poignant memories that many in the audience must have of Pears' singing will have been warmed by the admirable performances of Britten and Mozart that the evening produced.

One kind of Pears tribute, in a house where the tenor appeared so often and with such distinction, might have been to present excerpts of some of the operas and roles on which he left a special mark. Instead, it was Rattle's passionately committed, urgently dramatic account of the War Requiem that was chosen as the evening's main offering.

The transfer of the work to this setting was a risky undertaking, because in the act some of its most notable features were in danger of blurring—the division of instrumentalists into main and chamber orchestras (no room on the platform), the layering of choral forces in a grandly reverberant space (boys' voices from offstage tending to get lost). In the "Sanctus" and the closing "In paradisum" the echoing pile-up of sounds that can prove so thrilling at, say, the Albert Hall was unavailable. Altogether, it was an unfamiliar sound-picture of the Requeim that Rattle here presented, and inevitably its limitations could not be entirely ignored.

But there were also advantages, and they were taken to the full. The dramatic projection of the whole work, in an intimate auditorium of this particular sort, thrust many of its less successful sections into a new prominence, and in most cases the gain was remarkable. The effect of somewhat mechanical inspiration normally carried by the whole Abraham-and-Isaac insert into the Offertorium was on this occasion entirely avoided: the orchestral attack was cuttingly keen, and so were the inflexions of the baritone, John Shirley-Quirk, and tenor, Anthony Rolfe Johnson (despite obvious moments of vocal discomfort). The same *forwardness of projection* recurred in the long, slow finale: one hung on every word.

The strength of the War Requiem, its Mass settings, was not dimmed, because of outstandingly good choral singing throughout the performance, and because the soprano soloist, Galina Vishnevskaya, now brings a touch of incandescent genius to her every note—some phrases are now short-breathed, and some harsh, but the power of her belief in the music swept every critical doubt aside. This was a noble experience; and it was well preceded by the Mozart *Sinfonia concertante*, K.364, with Anne-Sophie Mutter (less immaculate than usual, but much livelier) and Bruno Giuranna as string soloists. Hearing a Mozart concert work in the opera house may prod one's awareness of its dramatic content—but so also did the CBSO's splendidly vital accompaniment.

Woundings/Manchester

Charlotte Keatley

Jeff Noon is a young Manchester writer who won third prize in the Mobil/Royal Exchange Playwriting Competition with *Woundings*. A competition with no limitations encouraged him to shake off the studio genre of new plays and tackle huge ideas, a large cast and experimental styles.

Woundings at the Rolay Exchange is set on an island garrison, where the ratio of 4,000 soldiers to 20 local girls is alleviated by a shipment of English roses. Mr Noon's island is bleak, a setting for warfare between the sexes, and his language is, therefore, blunt, characters speaking what would be subconscious in everyday courtship. Greg Hersov's direction of the 43 scenes is based on speed and impact—a flock of ironing-boards are carried on for one scene, a helicopter lands in another — but lacks the escalating sexual danger which I found in the script.

On Laurie Dennett's stark set of metal grid floor and camouflage nets draping the auditorium balconies, three states conflict. First, soldier life, represented in bar scenes where pool-table talk refers to women as "dogs." Secondly, the islanders, whose women are forced to learn sexual guile while the men learn army drill; and thirdly the English girls, whose predatory attitude and romanticisation of soldiers is shown to be as guilty of perpetuating the sex war as the callous tactics of the young soldiers. Both sexes refer to each other as "targets."

Against a background of army rigour, we watch three men tackle relationships with three girls: in love, they respond with the urge to conquer; in situations of reconciliation, they wound; at moments of emotional crisis, they kill. Doug (Brendan Price) has an ego easily won by Kim (Maggie Saunders), the self-made *femme fatale*. Stan (Brian Binns) grabs for the emotional cover of marriage and sex with Denise (Tracey Wilkinson). The island and its people are casualties.

At the centre of the play is Louise's "adventure." Meeting in a no-man's land of emotional negotiation, Louise (subtly developed by Leslee Udwin) unravels the psyche of Jimmy (played with acute sensitivity by Reece Dinsdale). Jimmy is a non-aggressive man, who rejects women because he cannot come to terms with the roles offered by sexual politics. Jimmy has retreated into the army as a means of disciplining feeling; Mr Noon suggests that men cannot take the "wounds" of women, and so push women into the position of enemy. It is Jimmy's awakening to his potential for love which puts hope into the tragic ending of this play. This is writing of tremendous emotional honesty and ambitious imagination.

Saleroom/Antony Thorncroft

A £300,000 tea party

The destruction by fire of Christiansborg castle in 1795 was a financial disaster for the Danish royal family. To raise funds for re-building they sold off the Meissen armorial porcelain tea service which had been ordered for King Christian VI when he ascended the throne in 1730.

Yesterday Christie's sold the service again. This time the 38 pieces realised £303,600, the highest ever auction price for a service of porcelain, and three times the forecast. Unfortunately it was dispersed in separate lots. The highest price, of £52,800, was paid by the German dealer Gerhard Robbig for a pear-shaped milk jug and cover. It carries the royal arms flanked by chinoiserie figures and had a top estimate of £20,000. A teapot went to the same buyer for £44,000.

Another keen bidder was the Carlsberg Foundation of Copenhagen. It acquired one pair of two handled beakers and saucers for £33,000 and another, similar pair, for £30,800. The service was sold by a European noble family which had acquired it in 1797 from the sale of the salvaged furnishings of Christiansborg.

At Sotheby's a brilliant early impression of Durer's famous engraving of Adam and Eve, drawn in 1504, sold for £242,000 to the New York dealer David Tunic. It carried a high estimate of £140,00. Its success was some compensation for a lacklustre sale of tribal art in the morning, which was 35 per cent unsold. A Vili wood nail fetish carved as a two headed dog covered with nails made £22,000 while a Kingowood maternity fetish figure (from what is now Zaire) sold for £17,000, but there was little interest in second rate objects.

Sotheby's concluded its weekend auctions in Monaco by selling furniture for £1,541,249. A pair of candlestick holders made in England around 1830 sold for £136,615, as against a top estimate of nearer £12,000, and a Louis XIV cabinet of 1680 almost doubled its forecast at £92,215.

In historic terms French 18th century paintings are cheap but the tide may be turning in their favour, judging by the £477,419 paid by the New York dealer Sayn-Wittgonstein for a typically sensual work by Boucner, "Le sommeil de Venus," which Sotheby's disposed of on Saturday. The price was three times the forecast, but the provenance was excellent: it had been owned by the brother of Madame de Pompadour who was the great patron of the artist. Another major 18th century work, or portrait of a cavalry officer by Liotard, failed to sell but a sketch by Rubens, "Virgin and child worshipped by Saints," which had been lost to view for a century, sold for £501,000 to a London dealer.

Two new RSC productions at the Barbican

During December two new Royal Shakespeare Company productions will open at the Barbican.

The first, in The Pit, is the premiere of Deborah Levy's play *Heresies* (December 16), directed by Susan Todd with a company of 10 actresses and two actors. It will be in repertory until March with current plays, *Principa Scriptoriae* by Richard Nelson and *The Archbishop's Ceiling* by Arthur Miller.

The second, in the main theatre from December 17, is the first London revival since the 1960s of John Whiting's comedy *A Penny for a Song*. Howard Davies directs, with designs by Bob Crowley, costumes by Alexander Reid and music by Timothy Higgs. Leading the cast will be Stephen Moore and Brian Cox.

Arts Guide

November 28-Dec 4

Opera and Ballet

NETHERLANDS

Amsterdam, Muziektheater. Netherlands Opera production of Der Kreidekreis by Alexander von Zemlinsky, directed by Herbert Wernicke. The Hague Philharmonic conducted by Stefan Soltesz, with Stella Kleindienst, Hebe Dijkstra and Mario Brell (Wed). (255 455).

Scheveningen, Circus Theatre. Ann Marie de Angelo and the American Dance Theatre (Wed). (55 88 00).

WEST GERMANY

Berlin, Deutsche Oper: Tannhäuser has Spas Wenkoff in the title role. Also Die Lustigen Weiber von Windsor.

Hamburg, Staatsoper: Manon Lescaut, conducted by Guiseppe Patanè, stars Mara Zampieri, Rachel Joselson and Franz Grundheber. Il Barbiere di Siviglia, sung in Italian, brings Rachel Joselson, John Dickie and Leo Nucci together.

Frankfurt, Opera: Das Rheingold has Julia Juon, Wolfgang Probst, Adalbert Waller and Jane Card. Die Verkaufte Braut is a well done repertoire performance with Eliane Coelho, Michael Pabst, Adalbert Waller and Christoph Pregardien.

LONDON

English National Opera, Coliseum: the new Carmen is another collaboration from the ENO house team of David Pountney (producer) and Mark Elder (conductor), with Sally Burgess taking the title role for the first time. Also in repertory: the new production of Cav and Pag, over-detailed but bright and effective, with a moving Santuzza in Jane Eaglen; and the fine Graham Vick production of The Rape of Lucretia, with a uniformly strong cast led by Jean Rigby and Russell Smythe.

Royal Opera, Covent Garden: the new production of Jenufa by Yury Lyubimov, exaggerated but also intensely dramatic, starts Bernard Haitink's Covent Garden reign in high style. Ashley Putnam and Eva Randova are the stars. The Zauberflöte revival introduces Siegfried Jerusalem's Tamino and the conductor Peter Schneider to London.

ITALY

Rome: Teatro dell'Opera: Don Pasquale conducted by Spiros Argiris includes Mariella Devia (alternating with Jenny Drivala) in the part of Norina, with Giuseppe Taddei, Paolo Barbacini and Angelo Romero. (47 17 55).

VIENNA

Staatsoper: Werther conducted by Davis with Baltsa; Luisa Miller conducted by Guadagno with Yachmi, Ricciarelli; Walküre conducted by Schneider with Reppel, Martin, Hesse. (51 444/28 55). **Volksoper**: Der Opernball; Die Csardasfürstin; Das Land des Lächelns (51 444/28 57).

NEW YORK

Next Wave Festival (Brooklyn Academy of Music): Jugglers, schmoozers and funny performers, the Flying Karamazov Brothers do their version of The Soldier's Tale with music by the Kamakaze Ground Krew. (718 636 4100).

Alvin Ailey American Dance Theater (City Center): Modern dance, jazz, and ballet mix together in a repertory built around spirituals and other American music of different periods. The four-week season will include a world premiere choreographed by Ailey. Ends December 28 (55th St. e of 7th Av.) (581 7907).

WASHINGTON

Washington Opera (Opera House): Goya by Gian Carlo Menotti is performed by Placido Domingo, for whom it was written. Using historical fact and romantic fantasy, it recounts the affair between the painter and the Duchess of Alba, the model for the Maja portraits, played by Victoria Vergara, with Karen Huffstodt as her rival, Queen Maria Luisa. Rafael Fruhbeck de Burgos conducts. The week also includes Il Matrimonio Segreto staged by Michael Hampe and the Cologne Opera with Carlos Feller as Geronimo and Janice Hall as Elisabetta. Arnold Oestman conducts. Kennedy Center (254 3770).

CHICAGO

Lyric Opera: The company premiere of Janacek's Katya Kabanova sung in English features Ellen Shade in the title role with her lover Boris played by Dennis Bailey and oppressive uncle Dikoy by William Wildermann, conducted by Bruno Bartoletti in Virginio Puecher's production. Un Ballo in Maschera is conducted by Giuseppe Petane in Sonja Frisell's production with Maria Chiara and Luciano Pavarotti. Edita Gruberova takes the title role and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of Lucia di Lammermoor conducted by Charles Mackerras. (332 2244).

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Tuesday December 2 1986

Shopping goes electronic

THE IDEA of using electronic payment methods rather than cash or cheques for shopping is hardly revolutionary these days. The public is used to plastic cards as an alternative form of cash. Petrol stations and department stores in large shopping complexes commonly feature counter top devices in which they can be used.

These systems for electronic funds transfer at the point of sale (or eft/pos to use its ugly acronym) are usually the initiative of a single bank, building society or retailer. Midland Bank's Speedline scheme in Milton Keynes, Anglia Building Society's Northampton trial and the House of Frazer's own experiment are just three examples.

Yesterday, however, all 12 UK clearing banks announced they were prepared to sink their differences in the development and implementation of a common national eft/pos strategy.

The size of this achievement should not be underrated. The banks have shown themselves to be able to work together on advanced systems where there was no question of competition between them. The successful implementation of the CHAPS town clearing system proved that.

But co-operation where competitive advantage is at stake has been a different matter. The banks are not alone in this.

Some years ago, Britain's building societies tried to establish a joint, nationwide automated teller machine network. The plan fell apart when the larger societies realised they would be paying the lion's share of the costs only to give their smaller rivals an improved competitive edge.

Full implications

The same kind of argument had prevented the banks, until yesterday, from agreeing a common strategy. There were anxieties about the distribution of costs and about the commercial principles involved. There was a question, for example, whether the scheme should favour debit cards against credit cards.

Remarkable as it may seem, the full implications of developing a national eft/pos system have only been brought home to the banks' most senior managers in the past three months.

Before the summer, eft/pos had been seen by these managers chiefly as a technical exercise aimed at cutting costs through the elimination of the paper trail associated with cheque and credit card sales clearing.

But at that point, and with a well constructed development plan on the table awaiting only their assent, they realised what all business will have to realise sooner or later, that computerisation is more significant as a technique for securing competitive advantage than as a tool for cutting costs.

What the banks have now agreed to is a modification of that plan, a basic national framework to be constructed by the end of 1988 on which each member bank can build at its own speed and in its own way.

Common ground

Retailers and the Government will both be mightily relieved that common ground has been achieved. The UK is already lagging behind France and Belgium in eft/pos and there were fears that if the banks could not agree quickly on a united front, the initiative and control of what is likely to grow into the most important clearing mechanism of all might be taken from them.

The banks now intend to make rapid progress in the development of a prototype of the national system. This development should be monitored in great detail by banks, retailers and consumer associations alike.

Last month the Government announced it would establish an independent review of the legal issues involved in electronic banking. Its decision was in part prompted by complaints from the National Consumer Council that users of plastic cards were insufficiently protected under existing law.

The advent of eft/pos should generate the biggest change in consumer habits since the introduction of the cheque. It should be the review body's prime responsibility to ensure that the customer, as well as the banker and retailer, benefits from its introduction.

Selling assets to buy time

THE BRITISH Government likes to boast that its programme of privatisation is creating a new era of people's capitalism, and that it has set an example which is being increasingly followed all over Europe, in Japan and now among some of the developing countries. The Government's critics paint a very different picture: the Government is reverting to historic bad practice and supplementing its revenue by the sale of monopolies.

While the market consequences of privatisation can only be judged case by case, and the process may well produce sharper management and enhanced competition in some important industries, the charge of what Lord Stockton has called "selling the family silver" is more or less unchallenged: the Government is spending the proceeds, not repaying debt.

Is the British Government setting a good example, then, or a bad one? According to a suggestive analysis from the Amex Bank, circulated this week, it is the temptation to spend without taxing which is the main attraction. Most governments face a rising demand for public services and for welfare spending, and a large number (though this does not include the UK) are struggling with a historically high level of public debt. The mature advanced economies are also worried about the prospective burden of supporting a growing retired population with high expectations, and do not wish to add debt obligations—mainly to private pensioners—to their direct pension obligations. Selling state assets offers, at worst, a means of buying time.

Broadening base

Privatisation will do more than buy time if and only if privately-owned and commercially-directed enterprises produce greater revenues than they would have done under political control. These gains remain a hope rather than a provable fact, but will probably materialise; but only an optimist would hope that they would fill the gap which will appear when the saleable assets run out.

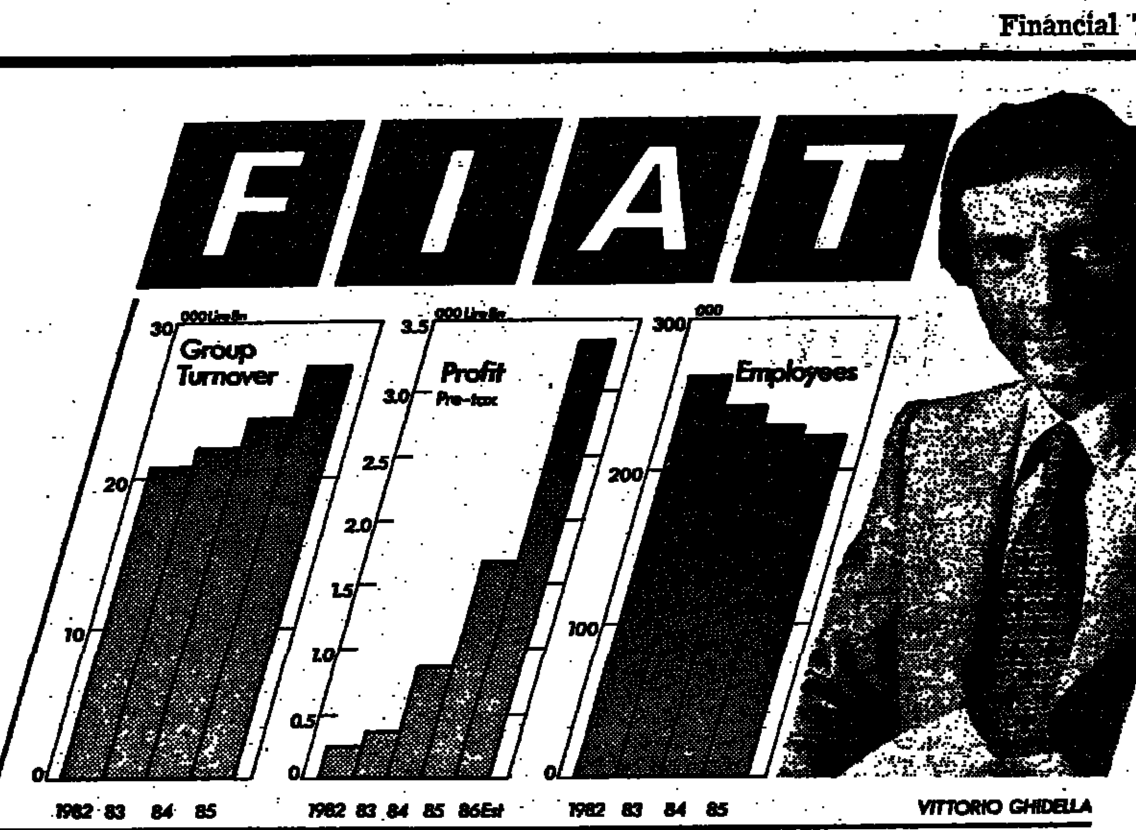
This long-term problem is addressed in another of this week's circulars, the monthly economic bulletin from International Advisory Associates. This argues, very broadly, that privatisation is a temporary answer to a dilemma which will have to be met in the long run by a combination of higher taxes and higher public spending — what some economists term "balanced budget reflation." This will be possible relatively painlessly if the US example of tax reform is widely followed, the bulletin argues. A broadening of the tax base offers the chance to increase revenues with only moderate, generalised pain.

The IAA analysis is highly speculative, as all very long-term forecasts must be, but does appear to raise questions which need facing. Basically, the bulletin argues that a combination of labour shake-out due to technical advance, falling relative commodity prices and rising profits has led to a sharp underlying weakness of demand. Unspent saving—first by oil producers, latterly by the corporate sector—has been offset until now by three waves of borrowing: by the developing countries, by the US Government, and by mainly English-speaking consumers. As all become sated with debt, demand will weaken.

Wrong direction

When so much analysis concentrates on the possible dangers of excessive credit growth, a presentation which defines the problem as one of excessive saving looks perverse at first sight — but it is not. Saving and borrowing are two sides of the same accounting coin, and when saving finances consumption rather than investment, it is the savers who are in the long run likely to find that their supposed claims on the economy cannot be met.

If this analysis is not wholly wrong, privatisation to finance current spending is a large stride in precisely the wrong direction, but privatisation to finance capital formation could be long-sighted. At the lowest, this suggests that some balance-sheet approach to public budgeting would help to show how far policies are constructive or improvident. Income redistribution is clearly a long-term trap unless conducted on a pay as you go principle. This still leaves the potential problem of a long-term shortage of productive assets, which IAA surprisingly sees as a further public sector task. Here we firmly dissent; the problem is to energise real private sector capital formation, preferably in the deprived countries.



VITTORIO GHIDELLA

Source: Fiat

Brana Radovic

Fiat squares up for the Alfa test

By John Wyles in Rome

MR Vittorio Ghidella, managing director of Fiat Auto and a star performer in the Fiat group, explains why the struggling Alfa Romeo will be resurrected under his management. "As a state company, Alfa's priority has been employment and production volumes. They were not so much interested in profits. We have to reconcile employment, profits and volumes for the sake of the company. We are not a charity."

Stocky, soft spoken and with a record of achievement which carried him last week to membership of the Fiat group's board and executive committee at the age of 54, Mr Ghidella appears to relish the task ahead. Having outmanoeuvred Ford in the battle for Alfa, he is sure that the Fiat touch will work as much magic on ending 13 loss-making years at the soon to be privatised Alfa as it has on the Turin company's once stumbling car business.

Magic, of course, has had nothing to do with Fiat's frequently chronicled story of sad 1970s decline with glittering 1980s recovery. There is no alchemy, says Mr Cesare Romiti, the group's amiable managing director, except access to two scarce commodities: "men and means."

Both have probably never been used more actively in the company's history. Announcements have cascaded from the group's surprisingly anonymous headquarters on Turin's Corso Marconi: Iveco, the commercial vehicles subsidiary, takes over Ford's UK truck interests; Fiat's major component interests are merged with those of the French components company Matra; Fiatallis goes into a joint venture with Hitachi to make hydraulic excavators; the Libyan Government's 14 per cent investment in Fiat is liquidated; Fiat is negotiating a $1.6bn deal with Poland; Fiat triumphs over Ford to acquire Alfa Romeo.

Taken as a whole they tell of a restless pursuit of expansion: either by purchasing market share (Iveco-Ford and Fiat-Alfa) by adding still further economies of scale (Fiatallis-Hitachi, Fiat-Matra, Fiat-Alfa) by acquiring technology (Fiatallis-Hitachi, Fiat-Matra) or by beating the opposition to a commercial opportunity (Fiat-Poland).

This dazzling hyper-activity has been master-minded by 62-year-old Mr Romiti under the careful supervision of the man who gave him the task in 1980 of saving the ailing group, the "Avvocato" Gianni Agnelli.

Now Mr Romiti is building on a position of unprecedented strength. Last year's L1,300bn net profits were double those of the previous year, and the company expects profits to double again this year. And the group's outstanding 1985 debt of L2,300bn would have been virtually wiped out but for L1,000bn linked to the purchase of the Libyan shareholding.

The Libyan exodus and the acquisition of Alfa Romeo have been the two main strategic events of Fiat's year—the one confirming the group's strategy of diversifying into high technology businesses, and the other sitting somewhat oddly alongside it.

With the Libyan holding liquidated and US Government sensibilities appeased, Fiat is confident of netting SDI contracts for its SNIA-BPD majority owned subsidiary. "The cash values will not be large but the spin-offs could be very important for us, particularly in new materials research and development," says Mr Romiti.

As Mr Agnelli puts it, such "intersectoral synergies" have long been part of Fiat's rationale for putting so much effort and money into technology.

Managing director Romiti stresses constantly that the automotive business will remain Fiat's core activity. But having long since planted its flag on high-tech activities, he argues that Fiat has a head start over other car manufacturers such as Ford, General Motors and Mercedes Benz which he sees as still feeling their way towards diversification.

Fiat's telecommunications subsidiary, Telettra (1985 sales L475bn) and its bioengineering companies (L149bn) are really niche businesses in comparison with European leaders. But they are being developed according to the strategy pursued by Italian industrialists like Prof Romano Prodi at the giant state-owned holding company IRI and Mr Paul Gardini of Ferruzi, who are anxious to position themselves for the European and world markets of the 1990s.

Essentially, the first step of this strategy is to group the main Italian players in one sector and then use the aggregated strength to forge more advantageous international alliances.

Thus a projected merger between Telettra's capacity in radio bridging and state-owned Italtel's strength in packet switching systems would create a telecommunications unit capable of more profitable partnerships with giants such as Siemens.

Mr Paolo Mattioli, Fiat's General Manager, concedes that the Alfa acquisition in one sense sets back the diversification policy. Alfa brings with it annual sales of just over L2,000bn and 6 per cent of the Italian car market, to add to Fiat's 54 per cent. High-tech businesses accounted for less than 7 per cent of Fiat's L27.1bn sales last year while cars, commercial vehicles, tractors and construction machinery represented 75 per cent.

He thinks that by 1990 the high-tech share will rise to between 10 and 15 per cent and be a useful counter-cyclical cushion to the car business. A problem remains, nevertheless, in Fiat's extreme dependence on the Italian economy—a weakness which Alfa accentuates rather than balances. Nearly 73 per cent of Fiat's total revenues are drawn from its homeland and only 19 per cent from the rest of Europe. "Yes, I know we are vulnerable," says Mr Mattioli resignedly.

He also concedes that the group has its flat spots. Fiat's tractor business is having to retrench in the face of agricultural recession and Impresit, one of the world's top six civil engineering companies, is struggling. With Opec oil producers cutting back sharply on projects and Latin American markets labouring with debt problems, Impresit will only break even this year after a L40bn profit in 1985. The company is now desperately combing the domestic market which produced fully 70 per cent of the new contracts booked this year.

And the group's L13,000bn three-year investment plan adopted earlier this year obviously made no provision for Alfa's pressing requirements. Some L7,000bn was earmarked for the car business, but at a stage, Fiat continues to insist, when it had no idea that Professor Prodi at IRI was willing to privatise the ailing company.

Not, however, that Fiat will have much trouble finding the L2,500bn or so needed for re-equipment, model development and operating losses. In 12 months, the group's positive cash flow has soared to L3,600bn. There is no question of diverting investment away from other projects, increasing debt or raising fresh capital.

The company's current cash strength is not just a function of a strong car market. Financial production and marketing reforms have all been essential. In 1980, for example, when 1.5m cars were sold world-wide, Fiat held some 500,000 unsold cars in stock at any one time. The comparable figure this year is 240,000, on sales of 1.6m.

Suppliers have also been pressed to play their patient part. Fiat pays them on a 120 day cycle while income from cars sold flows in to the welcoming corporate coffers within 29 days.

A satisfied Mr Mattioli reports that this year the group will run ahead of its targeted 5-6 per cent real return on investment and that the real return on equity will be 6-8 per cent above nominal interest rates.

Without this kind of strength, Fiat could not easily have faced the task of turning around Alfa Romeo. It is still hardly going to be a walkover to bring a business with such different traditions into a joint company with Lancia. Fiat executives see some parallels with the Turin company's own life and death struggle at the end of the 1970s.

Alfa's productivity is too low, its production costs too high, its plants inadequately automated and its product range badly in need of renovation and innovation. Nevertheless, if he has any anxieties about lifting Alfa off the floor, Mr Ghidela has not yet been coaxed into revealing them.

"The problems are very familiar ones. We have young and dedicated people here and I will count on them for the success of the Alfa operation," he says.

As written, the Fiat plan groups Alfa with the company's Lancia subsidiary into a new company whose cars will be aiming at a 23 to 25 per cent share of the European luxury and high performance car market by 1991. Alfa's production wil be boosted from 170,000 to 395,000 cars a year and the product range improved by new versions of the Alfa types 33 and 75, together with a sports coupe and a new line of passenger vans. A new luxury saloon, the 164, has already been developed by Alfa and will be introduced next spring.

Delivering 60,000 cars into the hands of highly discriminating American consumers is a key element in the plan. Overall, the Alfa image is to remain sporty, with the accent on quality — and somehow it all has to be done without stealing any of Lancia's potential customers.

Mr Ghidella sees it as more of a marketing than an engineering challenge. Providing that the Alfa marque is clearly differentiated by design and price, he is confident that Lancia's interests can be protected.

He believes the first new Alfa model to be designed under Fiat stewardship, a new Alfa 75, will be ready in three to four years and that by then the marque will be enjoying an armoury of marketing devices including consumer finance which he says were left largely untried under state ownership.

Understandably, the Alfa workforce and management, particularly at the Arese plant near Milan, is highly suspicious of Fiat's intentions. Turin has given assurances that the 33,000-strong workforce will be cut back by 5,000 solely through natural wastage. Clearly the unions will brook no deviation into forced redundancies.

But Fiat also has to win the confidence and loyalty of Alfa management which, until the final decision went to Fiat in early November, had given every indication of preferring the future with Ford. Mr Giuseppe Tramontana, a well-known "company doctor" in Italy who was put in as managing director by IRI a couple of years ago, is not expected to stay when Mr Ghidella is calling the shots.

Clearly anxious to avoid provoking an early managerial haemorrhage, Mr Ghidella is at pains to stress that Fiat has no "colonisation" plans. But when it assumes ownership on January 1 it will face severe "co-ordination problems." The first response will be to pour a team of managers from Turin into Alfa to sit alongside its departmental heads.

The benefit, unspoken of course, will be that Fiat will have its own people ready to step into any breach, or to replace Alfa managers who are not performing satisfactorily.

There is no shortage of people in the European motor industry who are sceptical about whether Fiat can pull off the trick with Alfa within its chosen timescale. It is not at all clear, for example, whether the recovery plan could weather a recessionary fall in car demand in Italy and Europe or a sizable increase in petrol prices.

It has to be remembered that Fiat's plans for Alfa were worked out in extreme haste in order to block what was seen as a highly threatening acquisition of the struggling company by Ford. A series of difficult obstacles lie ahead, from modernising the Alfa plants to designing and producing the new models. The largest question mark of all lies over Fiat's ability to find customers for 225,000 more Alfa cars in crowded and highly competitive European and American markets.

But at Corso Marconi the risk seems well worth taking compared to the alternative of a Ford takeover of Alfa. "That would have forced us to take many more risks," said Mr Romiti, with the air of a man who has learned that nothing is gained if nothing is ventured.

Men and Matters

Fish in troubled waters

Trade union and Labour Party trenchermen face the sobering prospect of one of their favourite Brighton restaurants being ruled out of bounds come next year's conference season.

The Wheeler's Three Little Rooms restaurant, in the town's Market Street, has fallen foul of the Transport and General Workers' Union and is being picketed by four of its specialist Chinese fish chefs.

The dispute began earlier this year over the staff's annual pay claim. Dennis Bailey, who bought the business in 1985 under a franchise deal with the Wheeler's fish restaurant chain, said he would award a rise only if the menu was extended to include such dishes as grilled sardines, turbot and lemon sole.

Initial disruptive action was limited to the staff giving customers what Bailey describes as "ginormous" portions of halibut — which, while bad for the profit margins, was at least good for custom.

Last month, however, the issue came to a head with the dismissal of second chef, San Hang Cheung. He and three other chefs then started to picket the restaurant door which, as Bailey points out, is a mere 29 inches wide.

Friction over diners coming and going has led the parties to the High Court, where agreement has been reached that the picket line should be limited to the four chefs, union officials and an interpreter and that these and other ground rules should be displayed in English and Chinese on placards outside the premises.

Chances of any further agreement do not look good. Bailey says: "I am never, never going to take those workers back." Next spring's Brighton union conference-goes look destined to take their appetites elsewhere.

"I can not tell a lie—a National Security adviser chopped down your cherry tree"

Another view

James Gatward, the former independent television producer who is now chief executive of Television South, is moving to restore tattered relations with the politically-favoured independent production sector.

Gatward upset independent producers recently by announcing that the London Market, the only British television programme market where independents can show their wares to foreign buyers, was to close.

The announcement came after TV South bought the company which owned it, although the market had been losing money . . .

Unfortunately the news came just as the Government was making it clear it wanted independents to get access to 25 per cent of Britain's television airtime. The Home Office, it is believed, was not too pleased with the TVS decision.

The Independent Programme Producers Association (IPPA) accused TVS of abusing its monopoly power.

Now TVS is working on a deal that would allow independents to travel to the much larger MIPCOM market in Cannes (also owned by TVS) and get a stand and a sun-tan there, all for £450, compared with £2,500 for a stand in London.

Maybe there is something to be said for rich monopolies after all.

Sunrise trade

The handful of Japanese institutions that has quite suddenly emerged on the international financial services scene provides the text for a new report by the Japanese-speaking British writer Felicity Marsh.

Her special report for The Economist Publications is unlikely to go much beyond a charmed circle at £150 a copy. Yet it is a gripping yarn about the way the Japanese have emerged as major players on what she calls "the fast changing international scene."

She points out that the Japanese financial services industry first internationalised in order to support its industrial clients' overseas activities. And then left that limited role far behind as it struck out for itself.

She concludes. "Perhaps the only surprising feature is that it did not happen sooner."

Marsh sums up the future in international services thus: "As the brave new world of the global financial market place approaches, financial institutions everywhere are having to decide whether to join the battle to become one of the small number of international leaders, or to carve out a specialist niche somewhere further down in the pecking order.

"There is no doubt that some Japanese institutions have the will and resources, both financial and human, to be among the leaders when the dust settles."

The institutions most likely to succeed, she forecasts must be Nomura Securities, the Industrial Bank of Japan and Sumitomo Bank.

Bubbling over

The good news about this year's champagne vintage is that the quantity—equivalent to 255m bottles compared with 1985's 150m bottles—is more than enough to replenish the wine region's stocks and build up reserves.

André Enders, director of the CIVC, Champagne's supervisory organisation, indicated during a visit to London that 1986 is unlikely to be a classic vintage. The crop was "satisfactory to excellent, particularly in the Côte des Blancs."

Since 1945, France itself has been Champagne's best customer. The domestic market now accounts for more than 120m bottles a year, a considerable share even of last year's record sale of 197m bottles worldwide.

Enders believes that the home market is "perhaps close to normal capacity, if I may use that word."

Waste bin

Somehow this bit of news lacks that champagne fizz. The Malaysian Rubber Research and Development Board, I hear, has signed an agreement with Yokohama Rubber of Japan to study ways of using waste from its rubber factories to make wine.

Participants at the signing ceremony toasted each other with the stuff which, I am told, tastes a bit like Japanese rice wine.

"We want to begin commercial production of some products made from rubber waste within two years," said an official.

One other possible product from the waste—and, perhaps, a better bet—is fertiliser.

Observer

"... have to cancel dinner, I'm afraid. He went to Scotland to rent some property, missed his flight, lost his briefcase, got a tummy bug at the hotel, and found that the building had burned down a week ago. He sends his love."

US TAKEOVERS

The storm's last gust — for now

By William Hall in New York

IT IS only two weeks since the US Securities and Exchange Commission issued the surprising news that it had nailed Mr Ivan Boesky, one of the best known speculators in the recent wave of US takeovers—yet the record pace of US merger activity has hardly missed a beat.

Despite public outrage at the dramatic financial abuses uncovered in the Ivan Boesky insider trading scandal and suggestions that it will precipitate a Congressional backlash that will crimp the style of Wall Street's dealmakers, US takeover fever remains unabated.

The stock market, which dropped sharply after the Boesky scandal broke, had bounced back to within three points of its all-time high on the eve of Thursday's Thanksgiving holiday. Yet beneath the buoyant stock market there is a sense of unease: is the current frenetic pace of takeovers, mergers, spin-offs, and stock buy-backs in the long-term interests of the US economy, or is it a last manic burst of speculation before a great crash?

"The business of this country is fast becoming, if it is not already, in the words of Keynes, a 'bubble on a whirlpool of speculation'," says Mr A. A. Sommer, of the Business Roundtable, which represents the heads of 200 of the biggest US corporations. Professor James Rogers, a wealthy investor who left Wall Street to teach at New York's Columbia Business School, believes that the Boesky scandal is "the first unravelling of a lot of financial excesses" and will be followed by a pretty dramatic collapse in stock prices within the next two years.

By contrast, Mr T. Boone Pickens, the Texas oil millionaire who first demonstrated the power of the current crop of corporate raiders by precipitating Chevron's $13.3bn takeover of Gulf Oil in 1984, sees the Boesky affair as "a side-show" and argues that the massive wave of corporate restructurings is going to continue as "long as you have undervalued assets in the marketplace."

There are plenty of corporate raiders who share his view, judging by this week's burst of activity. Mr Ronald Perelman, a 43-year-old financier, whose motto is "no guts no glory," made a $41m killing by selling his 13.9 per cent stake in Gillette, the world's largest razor blade manufacturer, back to the company at a handsome premium to the current share price. It was followed by a further rash of billion-dollar-plus takeover offers, and enough unusual share movements in target companies to suggest that despite Mr Boesky's dramatic demise, insider trading is still flourishing in some of the darker corners of Wall Street.

True, some corporate raiders have been keeping their heads down and issuing statements denying that they had ever had any "business arangements" with Mr Boesky. However, they have been quickly replaced on the corporate battlefields by veterans equally feared by the members of the US corporate establishment.

The best example this week was Mr Irwin Jacobs, the Minneapolis corporate raider, who offered to pay upwards of $4bn for Borg-Warner, the Chicago automotive products group, which is already being pursued by Mr Samuel Heyman's GAF corporation. Mr Alan Clore, the wealthy son of the late Sir Charles Clore, finally won his 15-month battle to take control of Kaiser Aluminium, the third biggest US aluminium company, and Mr Asher Edelman, the New York investor, made a bid for control of Ponderosa, one of the biggest steak house chains in the US.

Federated Department Stores, a retailing giant, whose empire includes New York's fashionable Bloomingdale's department store, fought off an unwelcome mystery predator by buying back a big block of its shares and Carter Hawley Hale, long considered another prime takeover candidate in the retailing sector, received a $1.8bn bid from The Limited, an old adversary. American Brands, makers of Pall Mall and Lucky Strike cigarettes, popped in a $2.8bn unsolicited offer for Cheesbrough-Pond's, which makes everything from Vaseline to spaghetti sauce, and rumours abounded that other members of the US corporate establishment, ranging from Lockheed Corporation to Colgate-Palmolive might be the next to come under attack.

"There is an enormous amount of money awash in the system," says Mr Michael Metz, an investment strategist with Oppenheimer & Co, who argues that almost every US company appears to be on the auction block in the current merger mania gripping Wall Street. The catalyst is the approach of the new US tax law which is putting a tremendous pressure on investment bankers to get deals done before the year end when changes in the capital gains tax environment will make acquisitions far less attractive.

Mr Metz believes that this week's surge in US takeover activity is "the last gasp of the current US takeover mania" and Professor Rogers agrees that the recent "takeover frenzy is at its peak." Come the new year and both men see a marked slowdown in the pace of US takeovers and the activity of the corporate raiders.

However, it may be too late to stop the Congressional bandwagon which favours the introduction of curbs on takeovers and the activity of the corporate raiders.

The plight of Goodyear, the world's biggest tyre manufacturer which was forced to undertake a massive $2.6bn restructuring last week in order to escape the clutches of Sir James Goldsmith, the Anglo-French financier, has highlighted the vulnerability of some of the pillars of the US industrial community. Mr Robert E. Mercer, Goodyear's chairman, says that Sir James's attack leaves a company with a choice of "either being murdered or committing suicide."

The US corporate landscape is becoming increasingly littered with famous old companies like Goodyear which have paid a heavy financial price to remain independent—Phillips Petroleum, Union Carbide and Unocal are the most obvious examples. Ms Mary Rose Oakar, an Ohio congresswoman, argues that corporate raiders who focus their attention on healthy and profitable companies, forcing them to defend themselves at great expense, are "parasites" that need to be eliminated.

Carl Icahn (left) who is stalking USX corporation, T. Boone Pickens (centre) the Texas oil millionaire, and Sir James Goldsmith, the Anglo-French financier

Senator Howard Metzenbaum argues that the "takeover mania has spurred widespread abuses and insider trading" while Senator William Proxmire blames the current merger mania for plunging US corporations deeper into debt. Both men will chair powerful committees in the new Congress and are expected to press for legislation to curb the perceived abuses of the current wave of restructuring now under way in the US.

They have plenty of support both at the grassroots level and within the business community. Mr Tom Sawyer, the Mayor of Akron, Goodyear's home town, says that his citizens have been caught in the crossfire by a group of speculators who have "the ethics and morals of sharks."

Professor J. K. Galbraith has given a warning that there is "nothing economically useful in this merger activity. It does not produce goods, or increased efficiency. It does not improve the operation of the system. If anything, it is damaging to the system because it diverts attention from the hard tasks of producing goods and services efficiently."

However, the corporate raiders are not completely friendless in the great debate now under way concerning their role in restructuring corporate America. Mr Murray Weidenbaum, a former chairman of the Council of Economic Advisers asks: "If James Goldsmith and people like him are opportunists, who gave him the opportunity?"

He blames the boards of directors and managers who have "managed companies improperly."

Despite this week's surge in takeover activity, some analysts believe that the corporate raiders stalking Wall Street have already passed the peak of their power and their importance will decline in the coming months. They support their case by noting the huge losses posted by the risk arbitrage community over the past few weeks — some estimates suggest that over $1bn has been lost — and the question marks raised about the raiders' continued ability to raise billions of dollars of high yield, low-grade "junk bond" takeover financing.

"The power is swinging back towards established management," says Mr Metz. It is a side-effect of the Boesky scandal which is already worrying big US institutional investors.

"The raiders may not all be people you would like as members of your country club, but in terms of the service they are providing to shareholders and the economy, they cannot be faulted, generally," says Mr Richard Schlefer of the College Retirement Equities Fund, one of the biggest US pension funds.

He notes that US companies are responding to the threat from the raiders by adopting shareholder rights amendments, or so-called "poison pill" takeover defences, at a rate of 30 a month. Almost half of the Fortune 500 companies have changed their bye-laws to lessen the possibility of effective shareholder challenges to established management.

In addition, it has been estimated that US companies have spent more than $7bn since 1979 buying back shares from corporate raiders at a premium —a process known as "greenmail"—in return for the promise that they will be left alone.

While corporate raiders have made handsome profits on these transactions, many institutional shareholders believe that the abuses of entrenched management should not be ignored and the Boesky scandal should not be used as an excuse for introducing fresh curbs on hostile takeovers.

Lombard

A filibuster on farm subsidies

By Andrew Gowers

AGRICULTURAL DIPLOMATS the world over are listening for the unsavoury sound of backsliding following the launch of the new trade round in September.

Meeting in Uruguay, ministers of the General Agreement on Tariffs and Trade agreed nearly three months ago to negotiate with a view to phasing down subsidies which affect farm trade, and vowed in the meantime not to unsheath new weapons in their battle for world markets.

The trouble is that the key trading nations have not reached anything resembling a consensus on where to go next. More seriously, efforts to develop one are being slowed because several participants—including some European countries and Japan—appear to be getting the jitters even about the sketchy commitments they have already made. Their concerns betray, at the very least, an imperfect understanding of the process which they are supposed to have embarked upon.

The understanding obtained in Punta del Este was always bound to be a fragile one. The US, in an obvious attempt to get at Europe, wanted the Gatt to talk about export subsidies before anything else. The Europeans tried to stall.

Since the agreement was struck, the US and the EEC have poured increasing amounts of money into their futile subsidy race. American officials travel the world claiming, with no apparent sense of irony, that their farming is becoming more market-oriented, while the EEC makes pious promises to hold fire—provided everyone else does.

Beyond this skirmishing, however, the final compromise begs a more fundamental question: if everything is up for discussion, where should the negotiators start?

It is a question which may be posed with some urgency, given that as 1987 advances, the big trading nations will find a growing number of excuses for inaction: the US and French presidential elections in 1988, to name but two. The difficulty of making truthful comparisons between the world's many and various forms of farm support might be thought to complicate matters to the point of total confusion.

In theory, though, an answer may not be all that far away. Delegates at the Organisation for Economic Co-operation and Development—which incorporates most of the "problem countries" in agricultural trade—are putting the finishing touches to a report which ought to provide just such a basis for comparison.

The study attempts to work out monetary equivalents — known as producer subsidy equivalents — for all forms of farm support, direct and indirect, and to estimate the effects of an across-the-board reduction in such support.

It is probably the most detailed and authoritative study of agricultural protectionism in the industrial countries yet produced. By the same token, it is also regarded by some OECD members as political dynamite.

Although the report has been several years in the making, a number of countries have recently been showing signs of great nervousness about its contents. West Germany wants to hold it out of the public eye ahead of its elections in January; France and Belgium have their own quibbles; Japan, which has kept a low profile throughout but is more protective of its agriculture than anyone, is showing particular squeamishness.

Such foot-dragging shows how difficult it is going to be to translate the vague promises of Punta del Este into meaningful negotiations. It also throws an interesting light on the extent to which talks about agricultural trade are bound to draw in everybody, not just the major exporters. Tokyo, for example, tends to justify its low profile by arguing that its system of farm support is essentially inward-looking, and therefore less disruptive to world trade. But it is nonsense to suggest that Japanese agriculture, with its extremely restrictive policy towards imports, exists in isolation, any more than Europe's. Filibusting by taking partial views of the problem will not soften any of the hard decisions facing world agriculture in the end.

Letters to the Editor

Great housing barrier

From Mr R. Sandilands.

Sir,—Samuel Brittan's interesting article on "The great housing barrier" (November 27) highlights how rent controls have seriously reduced the supply of rented accommodation while explaining that deregulation would be more effective if privileges to owner occupiers are also reduced. Thus he explains why mortgage interest relief should be reduced while suggesting that the re-introduction of Schedule A tax on imputed rental values would be an even better alternative if political opposition could be overcome.

It is interesting to note that for similar reasons the government's proposed abolition of domestic rates in favour of the regressive head tax is a further distortion in favour of ownership and against renting. For the current rating system is a type of Schedule A tax on imputed rentable values. Its abolition will further increase property values while encouraging a less intensive occupancy level.

Whereas the present system encourages more people to live in larger houses in high-amenity localities, to spread the rates burden over more people, the head tax system will mean that a single person living in very valuable accommodation will pay only about £200 a year. This is a recipe for increased homelessness and urban sprawl as people are forced to live in less valuable, low-amenity peripheral areas.

The main problem with the present domestic rating system is that, as with Schedule A, it taxes both land values and the value of the bricks and mortar, thus discouraging improvements and new house-building. The success of the site-value rating system adopted in countries like Australia and New Zealand, or the Pittsburgh system where rates are set higher on the land element than on improvements, suggests that the government's rating reform proposal is more concerned with winning votes from richer home owners than with dismantling the "great housing barrier."

R. J. Sandilands,
University of Strathclyde,
100 Cathedral Street,
Glasgow.

Defence of Leningrad

From Mr D. Shirreff

Sir,—I spring to the defence of Leningrad, which Michael Thompson-Noel found so grey and depressing (November 15). Perhaps he drove down Moskovskiy Prospekt, the way in from the airport, already registering disgust as one might on the Hammersmith Flyover.

Then his mistake was possibly to put himself at the mercy of Intourist. They are helpful for train connections and making theatre reservations, but in Leningrad you don't need a guide.

Armed with a local map, a guidebook and enough Cyrillic to read street names, I recently spent three days walking the city and taking trams at 5p a ride. It was glorious, from Alexander Nevsky Monastery in morning sunlight filtered through burning autumn leaves, to a night walk along the Neva, past the floodlit apple mousse of the Winter Palace and the Royal Observatory. And that was after an evening at the Kirov ballet, seeing Adam and Eve seduced by Satan and his fallen angels.

Leningrad the sad it ain't, though it may be tough for the Russians. I saw them light candles, kiss icons and whisper to priests in dark cathedrals; I saw them plunge into the Neva by the Peter-and-Paul Fortress in temperatures close to freezing; I saw them bustling in thousands along the Nevsky Prospekt and queueing stoically outside wretched shops.

Of all this and much more I was delighted to be an observer, with a plane ticket in my pocket.

David Shirreff.
47 Dryburgh Road, SW15.

Motor trade margins

From the Chairman,
Jewell of Watford.

Sir, — Following the article (November 20) on the remarks made by Graham Day, chairman of Rover Cars, and the comparisons that he drew between the retail end of the motor trade and Marks and Spencer, I would suggest that the majority of franchise dealers, like myself, maintain high standards of customer presentation for new car sales, and in many cases, service reception etc.

Perhaps if Mr Day and his manufacturing colleagues would care to give us the margins that Marks and Spencer enjoy on their products, we would be comparing Marks and Spencer unfavourably with our image in the market place.

We too have to make a profit and to ensure continued employment of some 190,000 people in the retail motor trade and with maximum margins of 17 per cent and regular demands by customers of anything up to 15 per cent discount, it leaves precious little for the facilities and customer comforts that we would all like to provide.

I think that we do an excellent job and I take extreme exception to somebody in Mr Day's position making such remarks about an industry that, at yet, he knows little about and has a lot to learn.

R. W. Jewell,
201 High Street,
Watford, Herts.

Pension advice rules

From the Chairman,
Public Affairs Committee,
Pensions Management Institute

Sir, — Eric Short's article (November 24) "personal pensions selling rules set out by SIB" provided some much-needed clarification as far as pension managers and pension scheme trustees are concerned against the background of the financial services legislation.

It would seem that the position has been made clearer in two particular areas. Pension scheme managers (those not involved with investment but with everything else) will not need to be authorised under the new investor protection rules in connection with the selling/marketing of the occupational scheme for which they act, when the personal pension option takes effect from April 1988. Pension scheme trustees themselves will not require to be authorised, under the same legislation, if they are not involved in day-to-day investment decisions; this is understood to mean that strategic reviews of investment policy, periodic asset allocation decisions and specific requests for investment managers to refer back to one-off special investment decisions are not regarded as day-to-day investment.

While such clarification is most welcome, there are a number of other areas where similar enlightenment would be eagerly welcomed.

What, for example is the position of the professional pensions manager and trustees if either or both seek to give advice with regard to additional voluntary contributions (it may be remembered that the facility for such contributions is to become mandatory for all occupational pension schemes with effect from April 1988) and when it comes to advice on a decision about the purchase of a Section 32 policy as an alternative to a deferred pension or transfer of pension rights?

The whole subject of investment advice, and precisely what advice constitutes investment business needs not only to be clearly defined but also brought into the domain of what actually happens in the real world of pension practice.

Employees are most likely to seek advice from the pensions manager and the trustees (arguably the two most important sets of people in the operation of a pension fund). We need to know that both remain freely approachable and able to give the objective advice their respective roles require.

D. M. Anthony.
124 Middlesex St, E1.

History and Henry Ford

From the Manager,
Corporate History Office,
Ford of Europe Inc

Sir,—In his article on corporate histories ("Limited liability offers a 1980s boom") (November 19), Leslie Hannah refers to "Henry ('history is bunk') Ford" as an archetype of the contemptuous attitude to company history.

But, enshrined in the dictionary of quotations though the phrase may be, Henry Ford never actually said it — or at least, not in the form in which it is disparagingly used. The actual words attributed to him occurred in a 1916 interview (which Ford always claimed misquoted him) and were: "History is more or less the bunk. It's tradition. We don't want tradition. We want to live in the present, and the only history that is worth a tinker's damn is the history we make today."

But that was referring to history as taught in school: to give the other side of the coin, Ford founded the Henry Ford Museum and Greenfield Village, still one of the world's great museums, spending $10m of his personal fortune.

Ford's personal tribute to the preservation of history was described at its inception in 1929 as "a living epitome of American history — the kind of history unknown to school textbooks, for it has small reminder of politics and practically none of wars . . . an engineer's vision of history, not only to be seen but to be heard and felt."

Ford himself summed up his vision as follows: "When we are through, we shall have reproduced American life as lived; and that, I think, is the best way of preserving at least a part of our history and tradition. For by looking at things that people used and that show the way they lived, a better and truer impression can be gained than could be had in a month of reading — even if there were books whose authors had the facilities to discover the minute deails of older life." Hardly the words of a Philistine contemptuous of the more vital aspects of history!

David Burgess-Wise,
Eagle Way,
Brentwood, Essex

FINANCIAL TIMES

Tuesday December 2 1986

Soviet abuse raises alarm in Bonn

Peter Bruce in Bonn reports on the tension that is building up in West German-Soviet relations as Moscow intensifies criticism of Chancellor Helmut Kohl

WEST GERMAN industry and some senior politicians are beginning to show signs of alarm at a fierce and sustained barrage of political abuse being directed at Chancellor Helmut Kohl and his conservative coalition by the Soviet Union.

"If this gets any worse, we could be in big trouble," said an official at one of the country's biggest diesel engine manufacturers yesterday, referring to a renewed attack at the weekend by Tass, the official Soviet newsagency, which once again focused on Mr Kohl's comparison in an interview recently of the public relations skills of the Soviet leader, Mr Mikhael Gorbachev, and the Nazi propaganda chief, Joseph Goebbels.

The Soviet Union is West Germany's tenth biggest trading partner.

Tass, picking up on similer attacks in the past two weeks in Pravda, the Soviet Communist Party, newspaper, accused Mr Kohl of making a "wanton and unmoral comparison." In addition, senior Soviet figures, including Mr Alexei Antonov, a vice premier, and Mr Wsewolod Murachowksi the Soviet agriculture minister, have cancelled visits to Bonn and one of Mr Kohl's closest political confidants, Mr Volker Rühe, cancelled a visit to Moscow hours before the Soviets were, reportedly, about to turn his visa application down.

The Soviet Union has accused Mr Kohl of never fully apologising for the Goebbels comparison, but experienced observers believe the Soviet attacks, may hide deeper grievances.

It is felt that the "Goebbels" attack may be the expression of a more deep-seated frustration in Moscow about Bonn's apparent cooling towards the removal of all nuclear weapons in Europe, the so-called zero option.

Bonn used to support this concept but, just as the Soviet Union has come around to it as well, the West Germans have begun to retreat, claiming that Soviet conventional strength in Europe is too great to allow the West to give up all its nuclear weapons.

Another West German company that does business with the Soviet Union warned that the longer the attacks continued, and the more entrenched anti-Bonn sentiment became in Moscow, the more likely it was that attitudes would begin to harden at the lower levels of Soviet bureaucracy, where much business negotiating with the West takes place. "It can take a long time for a sentiment to trickle down from the top (in Moscow)," a company official said.

Western diplomats in Bonn, like many local political leaders, say they are puzzled at the way the attacks from Moscow have been sustained. At first, highly critical articles in the Soviet press were taken to be little more than attempts to drum up support for the opposition Social Democrats ahead of the West German general election on January 25.

Now, however, the situation has been complicated by an apparent attempt by Mr Kohl and his immediate circle of friends and advisers to snipe back at Moscow, at least until the election is over, possibly in the hope of embarrassing and isolating Mr Hans Dietrich Genscher, the Foreign Minister who is also a member of the liberal Free Democrats, Mr Kohl's small coalition partner.

Mr Kohl's Christian Democrats (CDU) together with its Bavarian sister party, are now seriously entertaining the possibility of winning an overall majority in January and of thus being able to discard the FDP.

Thus, while Mr Genscher spent part of the weekend pleading for the restoration of good sense, Mr Manfred Wörner, the Defence Minister, was accusing Moscow of "massive interference" and promising that despite it Mr Kohl would continue calling "murder murder" and "bondage behind the (Berlin) Wall bondage," as he did when East German border guards recently shot dead a would-be escaper.

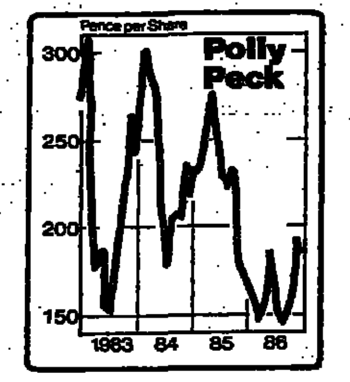
Mr Genscher, scornful as ever of most foreign policy that emanates, from the Chancellor's office, which he regards as amateurish, has warned of a new "shirt-sleeved" tendency in Bonn's approach to the Eastern bloc.

The prospect of an overall majority for Mr Kohl is strengthening, though and this upsets the Soviet Union because it would probably mean Mr Genscher would be replaced by Mr Franz Josef Strauss, the right-wing Bavarian leader. There are, however, no signs yet that the Soviet attacks on Mr Kohl and on Mr Strauss are doing anything to diminish this possibility.

THE LEX COLUMN

Sheer gloom at Guinness

The arrival at Guinness headquarters of two men with magnifying glasses and sealing wax was enough to provoke an avalanche of trading in Guinness shares; 20m shares were traded and 35p came off the price. Since nobody in the market, the company, or even the DTI will admit to knowing what is supposed to have gone wrong with the murky brew, it seems rather a speculation to have unloaded with such abandon. The sooner the inspectors are able to say what concerns them, the better, the one thing so far accomplished is the creation of a market in which all are treated equally, as outsiders.



Panel

What the judiciary thinks about the status of the Takeover Panel will not become clear for a day or two. In allowing Norton Opax to complete its acquisition of McCorquodale, however, the Appeal Court appears to have prolonged the panel's active life; the principles under which the panel exerts its precarious authority over the City of London remain – for the moment – as dark as they were always intended to be.

The substance of the allegations against Norton Opax and its core underwriting party – that the pattern of share purchases by the underwriters suggested a degree of concert between them – has scarcely been dispelled. For one thing, the community of interest was never in dispute. For another, the various accounts of the Kuwait Investment Office's buying policy disagree on the crucial question of whether the KIO was in the market wishing to buy McCorquodale shares for weeks before the decisive purchase, or only a much shorter time.

It is possible, therefore, that there will be enough uncertainty lingering around the specifics of the panel verdict to cause some discomfort with its decision. The McCorquodale executives whose recommended offer was frustrated will no doubt be bitter men, though there is room to wonder how well they could have fared in such a highly geared company as they were proposing, in Datafin, to found. Norton Opax, on the other hand, will suffer from nothing worse than an equity overhang.

Connoisseurs of the 75 per cent acceptance level will be interested to note that Mr Maxwell, whose vote might have stood between Datafin and success, has stated that he will prevent Turner & Newall from reaching 75 per cent of AE. If nothing else, farewell the tax grouping that has been for so long the apple of Turner's eye.

VSEL

To the untrained eye it looks as if yesterday's 20p rise to 180p in the sharp prices of VSEL consortium was an effusive response to the submarine builder's first results since it was privatised last summer. Unfortunately the bulk of the gain was triggered by an interestingly timed story in the Sunday press concerning prospects for £1bn worth of orders from the Saudi navy.

But it would not do to carp: the figures – involving a 25 per cent increase in trading profits – are very good. Improved cost controls – the standard post-privatisation benefit – has helped to reduce the net interest payments to less than 10 per cent of trading profits. This is even before the benefits of last month's sale and leaseback of the Trident construction hall, which should help the company to make about £13.5m pre-tax for the year.

That puts the shares, after yesterday's 12.5 per cent rise, on a multiple of under five. Even for a company whose business is so secret that visiting fund managers require Ministry of Defence security clearance, that seems very inadequate recognition.

If the Conservative party is re-elected then profits growth into the hazy distance is underwritten. The share price seems doggedly to be discounting an overall Labour majority in the next parliament. Yet as Britain's only submarine builder, VSEL will have more than a bit part to play in an enhanced non-nuclear defensive programme. Most important of all, Barrow-in-Furness is a marginal constituency.

Polly Peck

It is hard to assemble an impartial jury to consider the case of Polly Peck. Everyone has memories of the share's spectacular rise and fall, the fiasco of last year's results and the company's frequent over-optimistic statements. Polly Peck has a credibility gap as big as the Grand Canyon – shown in an historic p/e of 3.6 at yesterday's price of 182p, down 8p, on profits for the year to end August of £70.4m up from £61.1m.

Such a low rating goes beyond a criticism of earnings quality, to suggest that Polly Peck is about to suffer a profit slump. There are undoubtedly political risks in trading in Turkey, though Polly Peck is better placed than most to understand them. It is also battling against a declining Turkish Lira – down by a quarter from year end to year end – and falling margins on the agriculture, food and related industries division which makes 90 per cent of group profits. Margins on that business are now down to 34 per cent, but even at that level seem hardly sustainable to followers of UK food companies.

On the other hand, Polly Peck has a few things moving in its favour. A new finance director and the arrival of a treasury team might begin to reduce the foreign currency risks. A fall in margins on the food side should be offset by the expansion of the business. Consumer electronics appear to be an expanding market in Turkey, Polly Peck's product licensors are no slouches and margins should improve as fewer components are imported. The textile division ought to recover after its reorganisation, and pharmaceuticals and cosmetics might become reasonable earners. Further ahead the expansion of tourism in Turkey should make the planned hotel a good investment.

To sum up, profits this year should rise, not fall. Only a long spell of good behaviour will re-establish investor goodwill, but a one point rise in the multiple – well short of rehabilitation – would be worth about £50m of market capitalisation.

Havers denies rift over spy case

By Michael Cassell in London

THE British Government closed ranks yesterday in the face of renewed opposition attacks on its handling of the Australian court case in which it is seeking to stop publication of a book exposing the activities of MI5, its counter-intelligence service.

Sir Michael Havers, the Attorney-General, dismissed Labour Party calls for his resignation and denied that the issue had led to a rift between him and Mrs Thatcher, the Prime Minister.

Sir Michael, facing his first questions in the House of Commons since the start of court proceedings in Australia, said he had no intention of resigning over the affair. Mrs Thatcher, he claimed, had been "wonderful, loyal and supportive."

He defended the Government's decision to try and prevent publication in Australia of the book, by Mr Peter Wright, a former MI5 officer. He said that if the officers and ex-officers of the security services were allowed to write books, the country would "probably end up not having any important secrets which ought to be preserved."

Labour members of Parlament, who failed to get an emergency debate on the conduct of the Attorney-General, renewed their attack on the Government's apparent inconsistency in the treatment of past books on Britain's security services and in particular on Sir Michael's own role in deciding whether prosecutions should go ahead.

Mr Dale Campbell-Savours, a Labour MP, asked Sir Michael to confirm that decisions on criminal prosecution proceedings were a matter "uniquely and exclusively" for him and not, as the Prime Minister had implied last week, the subject of cabinet responsibility. He said Sir Michael could have used the Official Secrets Act to prosecute Mr Wright and Mr Chapman Pincher, the author of another book on the security services, and his failure to do so had undermined the law.

Mr John Morris, Labour's legal affairs spokesman, said the role of the Attorney-General as the independent legal adviser of the government was now, by the government's actions, deemed superfluous.

In another development yesterday Mr Tam Dalyell, a Labour MP, claimed that he had been told his telephone, and possibly those of other MPs, including Labour leader Mr Neil Kinnock, was being tapped. The Speaker (chairman) of the Commons, Mr Bernard Weatherill, said he would look into the allegations.

Evidence at trial, Page 4

AT & T faces legal objections in CGCT takeover attempt

BY PAUL BETTS IN PARIS

CONTROL of CGCT, the troubled French state-owned telecommunications group, is likely to remain in France following objections by the government's legal advisers to the sale of more than 20 per cent of the company abroad.

This deals a major blow to the efforts by AT&T of the US which has been seeking to acquire a 60 per cent stake controlling interest in CGCT.

The Government had originally hoped to treat the privatisation of CGCT as a special case in view of the group's need to find a strong international industrial partner in order to survive as a manufacturer of public telephone switching equipment.

However, the French Industry Ministry confirmed last night that the Government's privatisation legislation would also have to apply to CGCT. The privatisation legislation stipulates that the state cannot sell more than 20 per cent of a nationalised group to foreign investors.

The US telecommunications group has been competing during the last few months in an increasingly heated contest for CGCT against Siemens of West Germany and Ericsson of Sweden.

International telecommunications groups, backed by their respective governments, have been battling for control of CGCT because the French company, formerly owned by ITT before it was nationalised by the Socialists, will give its international partner access to about 16 per cent of the French public telephone switching market.

Industry Ministry sources indicated last night that the Government had originally envisaged selling 20 per cent of CGCT. The sale would have been followed up with a capital increase largely subscribed by the foreign partner, enabling the partner to gain control of the French group.

The new hitch in the already complicated saga of CGCT is likely to further delay a solution to the complex issue of its future. The Government is now proposing to sell a 20 per cent stake to a future foreign partner which would look into other possible tie-ups with CGCT not contravening the privatisation legislation. This could favour Siemens, which is understood not to have sought initially to acquire direct majority control of CGCT.

The latest complication is clearly embarrassing for the French Government and its privatisation programme. However, the additional delay could also buy the Government some additional time on a controversial industrial decision dividing the administration.

Indeed, the Government has been split between the respective bids for CGCT of AT&T and Siemens with Ericsson always seen as a strong outsider. Moreover, it has continued to be apprehensive over opening up its public telephone market to a major foreign manufacturer.

The latest hitch also comes at a time when the Government's overall privatisation timetable seems increasingly likely to be slowed down.

The legal problems over CGCT's privatisation are undoubtedly especially frustrating for AT&T, which has been negotiating its eventual entry into the French public switch market through CGCT for nearly two years.

However, while the French Government continues to have second thoughts over the future of CGCT, it is now backing the efforts of Compagnie Générale d'Electricité (CGE) to lead a major joint telecommunications venture with ITT, as well as the efforts of the nationalised Bull computer group to link up with Honeywell and NEC of Japan.

Indeed, the details of the Bull-Honeywell-NEC proposals to form a major new computer venture around Honeywell's information systems division are expected to be announced today, French officials indicated last night. Bull is expected to own at least 40 per cent of the new venture initially.

As for CGE's deal with ITT, which will create the second largest telecommunications group after AT&T, it is due to be completed on schedule by the end of this year.

Procordia unit to buy Climax lift trucks

By Kevin Brown in London and Kevin Done in Stockholm

KALMAR INDUSTRIES of Sweden, the engineering division of the state-owned Procordia group, yesterday announced the purchase of the lift truck interests of Climax Holdings, the Coventry-based UK group which went into receivership in October.

Kalmar said it had bought the assets of Coventry Climax, the fork lift producer, and Climax Parts and Service, the profitable after sales operation. The two businesses will be merged as Kalmar Climax. Neither Kalmar nor Price Waterhouse, the receivers, would reveal the price.

Coventry Climax Engines, which manufactures specialist engines for Rapier guided missiles and Chieftain tanks, was sold in a separate deal to Cronin Tubular, a Corby-based pipe and tubing manufacturer. No price was disclosed.

Kalmar said the 500 workers employed by the two fork lift truck companies would be offered 15-week temporary contracts. Cronin Tubular was also understood to be planning to retain the 80 employees of Coventry Climax Engines.

Mr Sven Arnerius, president of Kalmar Industries, said Kalmar Climax would receive an immediate cash injection of £3m ($4.3m) to enable it to trade effectively. All operations would be consolidated at one of two sites in Coventry in the Midlands, he said.

Mr Arnerius said he was "quite impressed by the performance of the old company." Most of the senior managers will join the executive board of Kalmar Climax, which will initially be chaired by Mr Arnerius. A non-executive board will also be created.

Mr Arnerius forecast initial sales of £25m a year for Kalmar Climax, compared with joint turnover of around £33m returned by Climax Holdings and Kalmar's former UK operation. This included sales of more than £2m by Coventry Climax Engines, however.

The purchase of Coventry Climax will give Kalmar a complete range of fork lift truck products. The UK company produces trucks with capacity between 1.25 tonnes and 4.5 tonnes while Kalmar has specialised in bigger trucks ranging up to 80 tonnes. Kalmar's export range begins at 3.5 tonnes although a 2-tonne truck is produced for the domestic Swedish market.

The deal will give Kalmar a broader product range for sales to warehouse and distribution operations, one of the growth areas for fork lift trucks. Some of Kalmar's traditional products are in static markets.

Climax Parts and Services, the after-sales business, has virtually a captive market in spare parts for around 15,000 Climax trucks already in use.

Mr Arnerius said the priorities of Kalmar Climax would be to cut costs and improve productivity. Finance would be made available by Kalmar Industries for investment in modern production technology. Mr Arnerius said he was confident Kalmar Climax could compete successfully against Japanese competition.

The creation of Kalmar Climax follows a similar exercise in West Germany last year, where Kalmar acquired Irion, a troubled forklift manufacturer

Mr Arnerius said further collapses of forklift truck makers were expected "all over the place." He added: "We would certainly be interested in looking into the possibility of being active people in the scene of restructuring in the future."

Background, Page 11

Move to defuse US row

Continued from Page 1

funds during an election campaign like the Watergate affair.

Senator Robert Dole, a Republican contender for the presidential nomination in 1988, when Mr Reagan's second term expires, nevertheless suggested establishing a Watergate-style bipartisan Committee of Congress to investigate the affair.

Democrat leaders have backed the idea, but are holding off supporting a special session of Congress, preferring to wait until the new Congress convenes in January when they assume leadership of the Senate from the Republicans.

Last week the Administration disclosed that up to $30m of profits from secret US arms sales to Iran were skimmed off to Contra rebels in Nicaragua. Lt Col Oliver North, a key White House aide was sacked for his role in the affair and Vice Admiral John Poindexter, the President's National Security adviser, resigned.

President Reagan described Lt Col North as a "national hero" in an interview conducted last week with Time magazine. But Senator David Durenberger, the Republican chairman of the Senate Intelligence Committee, which began hearings in camera yesterday replied: "National heroes are not excluded from the list (of people to be called), nor are National Security Council directors."

● Israeli Prime Minister Yitzhak Shamir said his country had nothing to fear if the US investigated Tel Aviv's involvement in shipping arms to Iran, Reuter reports from Jerusalem.

"Inquiries and investigations do not always indicate a lack of faith (in Israel)," Mr Shamir said. "In any event it is clear as day that in the near future everyone will know clearly that Israel acted properly."

Israel admits shipping defensive arms and spare parts to Iran at US request. Israeli leaders say they wanted to help their US ally gain freedom for hostages held by Iranian-backed guerrillas in Lebanon.

Senior Israeli defence sources said last week their Government initiated the transfer of arms, however, and the shipments predated and far exceeded the limited deal acknowledged by the US and Israel.

Progress made on EEC trade

Continued from Page 1

Greece and Italy were the main objectors, motivated by anxiety over the consequences for domestic pharmaceuticals industries that thrive on producing clones of popular products.

Two more potentially important measures, aimed at opening up public procurement and at setting common standards for telecommunications and information technology were being sent back to officials for further discussion

Progress was initially held up by Greece's insistence, supported by other Mediterranean states, that the Community's poorer partners should be compensated for the effect on their industries of greater EEC competition with larger allowances from the Community's social and structural funds.

However, they showed a greater willingness to compromise after a sharp rejoinder from Lord Cockfield, the Commissioner responsible for the internal market, who argued that without a free trading system the EEC would eventually run out of resources for spending of any kind.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	S	14	57	Malta	F	17	63	Rhodes	S	15	59
Algiers	F	14	57	Edinburgh	R	9	48	Manchester	C	11	52	Rio de J'o	C	36	96
Amsterdam	C	4	39	Faro	S	16	61	Manila	C	30	86	Rome	S	14	57
Athens	F	14	57	Florence	S	8	46	Melbourne	S	24	75	Salzburg	S	0	32
Bahrain	S	25	77	Frankfurt	Fg	−1	30	Mexico City	C	25	77	San Francisco	F	6	43
Bangkok	–	—	—	Funchal	S	20	68	Miami	C	23	73	Seoul	S	9	48
Barcelona	–	—	—	Geneva	C	1	34	Milan	S	7	45	Singapore	F	29	84
Beirut	–	—	—	Gibraltar	–	—	—	Montreal	F	−10	14	Stockholm	F	7	45
Belfast	F	9	48	Glasgow	C	8	46	Moscow	C	2	36	Strasbourg	C	−1	30
Belgrade	C	2	36	Guernsey	C	10	50	Munich	S	−1	30	Sydney	F	20	68
Berlin	S	2	35	Helsinki	S	6	43	Nairobi	F	20	68	Taipei	C	21	70
Biarritz	S	13	55	H. Kong	S	20	68	Naples	S	14	57	Tangier	S	21	70
Bombay	S	32	90	Innsbruck	S	4	39	Nassau	S	30	86	Tel Aviv	R	9	48
Bordeaux	S	9	48	Inverness	R	7	45	New Delhi	S	25	77	Tenerife	F	21	70
Brussels	C	3	37	Islamabad	F	12	54	New York	C	9	48	Tokyo	S	15	59
Budapest	C	0	32	Istanbul	[illegible]	7	45	Nice	S	15	59	Toronto	C	−7	19
B. Aires	C	25	77	Jakarta	C	31	88	Nicosia	F	19	64	Tunis	F	17	63
Cairo	F	13	55	Jersey	F	10	50	Oporto	S	12	54	Valencia	–	—	—
Cape Town	S	22	72	Jo'burg	T	25	77	Oslo	C	7	45	Venice	S	8	46
Caracas	C	25	77	Lima	C	21	71	Paris	C	3	37	Vienna	C	−2	28
Casablanca	S	18	64	Lisbon	S	11	52	Peking	F	7	45	Warsaw	S	5	41
Chicago	F	2	36	London	C	11	52	Prague	S	1	34	Washington	C	1	34
Cologne	S	5	41	Los Angeles	F	13	55	Reykjavik	Sn	−7	19	Zurich	Fg	−2	28
Copenhagen	C	9	48	Luxembourg	Fg	−3	27								
Corfu	S	17	63	Madrid	F	14	57								
Dallas	–	—	—	Majorca	–	—	—								
Dublin	–	—	—	Malaga	–	—	—								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

$ slides to six-year low

Continued from Page 1

UK Government bond prices mirrored sterling's movements. After a very weak opening, prices edged higher in response to sterling's afternoon recovery. UK financial markets showed no reaction to final figures for money supply growth in October, which confirmed the Bank of England's provisional figures.

The equity market, already unsettled by the weakness in the pound and Government bond prices, fell heavily on news that the Department of Trade and Industry was to inquire into the affairs of Guinness, the major brewing group.

It is not yet clear which aspect of Guinness's business is to be investigated but, in the wake of insider dealing cases in London and on Wall Street recently, the market is nervous.

Prices steadied towards the close, leaving the FT-SE 100 index down 18.9 at 1617.8 and the FT Ordinary index 19.7 lower at 1,272.5.

On Wall Street, share prices fell sharply as traditional market weakness between Thanksgiving and Christmas was compounded by political uncertainty in Washington, a downturn in the bond market and sharply lower prices of stock index futures, a bearish sign among traders and investors.

But soon after the start, the Dow Jones Industrial average of blue chip stocks stabilised quickly in quite heavy trading, about 20 points down at the 1980 level.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday December 2 1986

Anatole Kaletsky in New York looks at the background to the shake-up at GM

Perot magic loses its appeal

WHEN GENERAL MOTORS amazed the business world two years ago by splashing out $2.55bn to purchase Electronic Data Systems (EDS) – a Dallas-based computer service company with next to no fixed assets to show for its enormous price-tag – sceptics who questioned the valuation of the deal received a dusty answer.

EDS's real assets were its people, boasted Mr H. Ross Perot, the company's charismatic majority shareholder and founder, who rose from being a disgruntled IBM computer salesman when he started EDS in 1962 with $1,000, to become one of the world's richest and most famous businessmen as a result of the GM takeover.

Every single EDS employee was moulded by quasi-military discipline to correspond to Mr Perot's "lean and hungry" image. With their thrusting ambition, their entrepreneurial zeal – and even their fanatical punctuality and ruthlessly enforced dress codes – the 13,500 EDS "shock troops," as they were often called, were to shake up the lumbering motor giant's corporate culture.

At a time when GM was flailing about in search of a new direction, nobody could value by simple accounting yardsticks the bracing impact of Mr Perot's "young EDSers" on GM's sleepy operations around the world.

Even more exciting to many GM-watchers was the contribution which Mr Perot himself might make in the Detroit boardroom, once he became GM's largest individual shareholder as a result of the EDS deal.

Soon after the EDS takeover, however, GM's directors began to realise that they had got both more and less than they had bargained for. Yesterday's sweeping corporate shakeup at GM was designed primarily to remove Mr Perot from the board and to integrate EDS with Hughes Aircraft and the motor company's other high-tech subsidiaries. This represented an embarrassing admission that Mr Perot's Texan entrepreneurial magic was ineffectual and unwelcome in Detroit.

As a business, EDS prospered, albeit largely on the basis of the huge volume of captive business funnelled to it by GM. Yet the main issue almost from the beginning became Mr Perot's relationship with GM's established directors and managers. He rapidly concluded that GM's principal problems were slow decision-making, excessive bureaucracy, profligate capital spending and undisciplined management.

The key to Mr Perot's attacks came in a parable he often told about the difference between the EDS and GM management styles: "If an EDSer sees a snake he kills it. In your typical big corporation a report goes to management and a consultative committee is called in. Two years later someone decides that snakes have rights too."

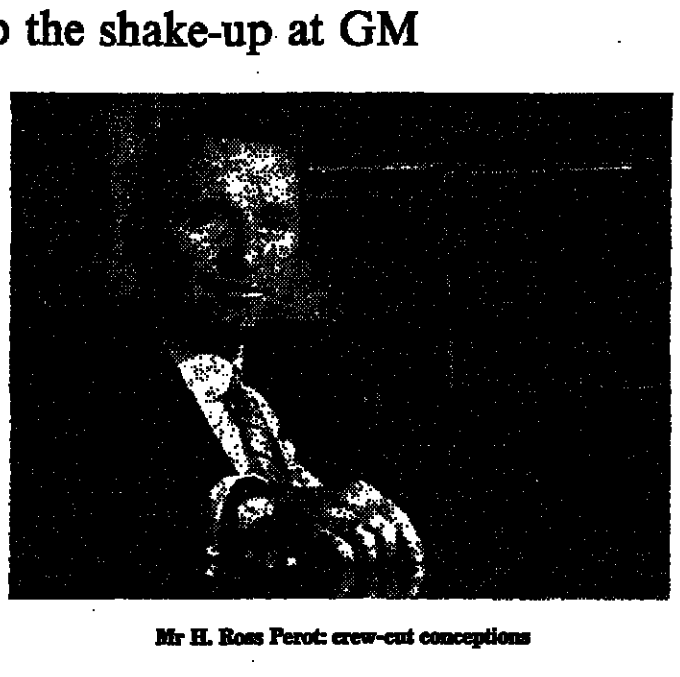
While GM was willing to consider many of Mr Perot's criticisms in principle, its response was precisely the kind which he resented most – to set up committees and engage in lengthy discussions and to stall on the reforms he was demanding should be carried out at once.

In retrospect, it should have been no surprise that he reacted to such stalling in the way he did. When the GM board failed to act with sufficient alacrity on his admonitions, he took his criticisms to the press. He then proceeded to engage in an increasingly acrimonious public debate about every aspect of GM policy – from the high-tech corporate strategy to the size of managers' offices – with Mr Roger Smith, the company's chairman.

Mr Perot is unquestionably an arrogant man. He has never allowed himself to be ignored or thwarted since the day he decided to leave IBM in 1962 after management rejected his proposal to set up a software service division within what was then a pure manufacturer of computer hardware.

When two EDS executives were taken hostage in Iran in 1979, Mr Perot organised a private rescue mission led by an ex-marine to spring them from jail, releasing thousands of Iranian criminals and prisoners in the process.

When he found that the personal appearance and dress-sense of most computer programmers did not correspond to his well-disciplined crew-cut conceptions, he introduced a ban on beards and corporate guidelines on dress length for female employees.


Mr H. Ross Perot: crew-cut conceptions

When asked by the Texas legislature to report on the decline of the state's educational standards, he did not hesitate to assert – to the horror of most Texans – that children were spending too much time on football training and not enough on studies. He saw to it that his recommendations were implemented.

With that kind of record behind him, Mr Perot was hardly likely to become a sleeping partner in a corporation where most of his personal wealth was tied up.

The GM establishment, which had expected to call upon him only as an occasional friendly adviser on their future forays into high technology, has now discovered this to its cost – $700m worth.

American Brands in $2.8bn tender offer

BY JAMES BUCHAN IN NEW YORK

AMERICAN BRANDS, the diversified tobacco group, stepped up its assault on Chesebrough-Ponds by launching a $2.8bn tender offer for the consumer products company yesterday. The offer is at $66 a share, as announced earlier, although American Brands said at the weekend that Chesebrough's management had rejected an improved offer of $69 a share.

The offer comes on the eve of the deadline for an acquisition to be made under current tax laws. Edward W. Whittemore, chief executive of American Brands, said that by launching the offer now, it should be completed before the end of this year so that shareholders in Chesebrough-Ponds could realise capital gains at 1986 rates.

Under the recent tax reform, capital gains are to be taxed at a higher rate in 1987. The offer will expire on December 29, unless it is extended.

In pitching the offer at $66 a share, American Brands is evidently challenging Chesebrough-Ponds' management to accept its offer or come up with a negotiated agreement, even with a third party, at $69 a share. "We still wish to negotiate a transaction with Chesebrough and remain hopeful that they will determine to do so," Mr Whittemore said.

Chesebrough-Ponds' share price rose $2¾ to $68¼ in early trading yesterday.

The Limited in fresh bid for Carter Hawley

BY OUR NEW YORK STAFF

THE LIMITED, the women's wear retailer, yesterday launched a hostile $55 a share consortium offer for Carter Hawley Hale, the US West Coast department store group that it has been stalking for over two years.

But The Limited, which is making the $1.8bn offer in conjunction with Mr Edward De Bartolo, a commercial property developer, said that it would be satisfied with a simple majority of Carter Hawley rather than the two-thirds of the voting rights it sought last week.

Nearly 39 per cent of the voting rights in Carter Hawley is held in the form of convertible preference shares by General Cinema, which intervened to rescue the group from the last bid by The Limited. General Cinema has apparently said it will not support the offer from the consortium.

● Peoples, the Toronto jeweller and Swarovski International Holding of Switzerland may sell certain assets of Zale to help finance their proposed takeover of the Texas-based jewellery chain.

In an SEC filing, Peoples and Swarovski said that they had no present intention to make any significant divestiture or change Zale's operations, but they might consider some asset sales when long-term financing of the takeover is required next year.

Peoples and Swarovski intend to borrow US$400m from the Canadian Imperial Bank of Commerce (CIBC) and other banks. The one-year loan is payable in November 1987. To repay it, Peoples will be required to refinance such indebtedness, dispose of certain business assets or effect some combination of refinancing and disposals.

Total cost of the Zale acquisition estimated at C$574m (US$415m) including conversion of Zale's B shares and the redemption of the A preferred shares.

France elects bankers for TV flotation

By George Graham in Paris

THE FRENCH Government has chosen an American investment bank as one of its advisers in the privatisation of TF1, the television network.

Shearson Lehman will assist Banque Nationale de Paris, the leading French commercial bank, in advising the government on the sale of TF1. Banque de L'Union Européenne, part of the Empain Schneider group until its nationalisation in 1982, will advise TF1.

The sale of TF1 has assumed a greater importance in the government's ambitious denationalisation programme because of the delay in the sale of Assurances Generales de France, which is unlikely to come to the market before next autumn. TF1 and the Havas advertising agency are now both expected to be sold before AGF.

Shearson's appointment represents a first success for the group's new Paris investment bank and its head, Mr François Fournier, a high-flying administrator who joined Shearson by way of the Treasury and the state-owned financial institution Caisse des Depots.

Coca-Cola shows $376m gain

BY WILLIAM HALL IN NEW YORK

COCA-COLA, the world's largest soft drinks group, will record a $376m pre-tax gain after the initial public offering of a 51 per cent stake in Coca-Cola Enterprises, its soft drinks bottling subsidiary.

The Atlanta-based group announced yesterday that it will offset part of the gain by recognising a non-cash charge of $180m. This will cover the costs of its disinvestment from South Africa and changes in domestic soft drink business systems "related to the reconfiguration of US soft drink operations".

Coca-Cola said that the main part of the charge covered its US operations where the switch away from sugar had led to the need to write down some of its syrup-making facilities and there was an additional charge to cover changes in the method of distribution to its soda fountain outlets.

Mr M. Douglas Ivester, chief financial officer, said that the accounting transactions were "one-time in nature and have no cash impact on the company". Coca-Cola's shares slipped $1 to $35½ in early trading yesterday and shares in Coca-Cola Enterprises continued to fall.

Coca-Cola said that the non-cash gain represents the difference between the value of the company's interest in Coca-Cola Enterprises after the initial $1.2bn public offering and the historical book value of the company's interest in Coca-Cola Enterprises.

Coca-Cola had planned to sell its stake in the bottling offshoot at $1 to $24 per share. However, it lowered its proposed selling price to a range of $1 to $21 and finally priced the shares at $16.50 on November 21.

It is common for the shares of new issues to trade at a premium to their offer price but Coca-Cola Enterprises shares have been an exception and yesterday slipped $¾ to $15¾. There have been reports that many big institutional shareholders thought the issue was too highly priced.

Air Canada benefits from lower fuel costs

BY ROBERT GIBBENS IN MONTREAL

AIR CANADA, the Government-owned airlines, benefited from lower fuel prices, higher passenger and cargo volumes, and tight cost controls in the third quarter.

Net profit was C$56.8m (US$41m), up from C$14.4m a year earlier. However, because of first-half losses of C$43m, the airline posted a profit of C$13.7m in the first nine months against C$18m a year earlier.

Revenue passenger miles flown in the third quarter were up 5.1 per cent and cargo tonne miles up 11 per cent. Passenger traffic growth was handled with lower seat capacity, increasing the load factor significantly.

● Cyprus Airways is "on course" to achieving a net profit of about C£3m ($5.7m) this year, after deducting depreciation and interest of about C£13m, the airline's executive president, Mr Stavros Galatariotis said.

In a report to the company's annual general meeting, Mr Galatariotis said the airline's profit last year before depreciation and interest reached C£12m but the net result, after depreciation and interest charges in the order of C£13m was a loss of C£1m.

Lucas unit expects sales rise

BY JOHN GRIFFITHS IN LONDON

LUCAS INDUSTRIES' Girling brakes subsidiary is expected to increase production capacity substantially next year to meet demand for its revolutionary, low-cost anti-skid braking system. The brakes were first launched as a £300 ($429) option on Ford's Escort and Orion models throughout Western Europe in February.

Ford is already absorbing virtually all the combined annual capacity of 115,000 units Girling brought on stream last year at its Pontypool, Wales, and Koblenz, West Germany, plants.

But sales are set to take another sharp jump for a number of reasons, which could also lead to the technology being adopted worldwide:

● Demand is still climbing as a proportion of total Escort and Orion sales

● Ford plans to launch a new Fiesta model late next year on which the system will also be offered

● At least one other car-maker is expected to adopt the system on a volume car next year, made possible by the imminent expiry of a joint development agreement which gave Ford initial exclusive use of the system

● A recent report from the influential West German TÜV traffic safety organisation which, effectively, called for the mandatory fitment of anti-skid braking systems to all cars.

The Lucas Girling "Stop Control System" (SCS) is designed specifically for volume-produced front wheel drive cars, at about one-third the cost of electronic systems.

Since the February launch, it has been ordered on an average 13.5 per cent of all Escorts supplied in Western Europe and 11.3 per cent of Orions. But the percentage is rising – in September 15.9 per cent of Escorts were supplied with the system.

The average disguises a far higher take-up in countries where winters are severe. In Denmark, for example, the average up to September was 79.3 per cent. In Sweden every Orion order Ford has received since July has specified the anti-skid system. Ford's figures show that one Escort in two supplied in Switzerland is now fitted with the system.

The marketing study for the system indicated a target market in Europe alone of 6m cars a year, but requiring phased capacity expansion over several years.

"We did take a big gamble with this system – but it's paid off," said Ford. "Now the word really seems to be getting round that it's good."

Veba expects profits boost

By David Marsh in Bonn

VEBA, the West German energy conglomerate which is high up on the government's privatisation list, said yesterday, that it expected to boost 1986 group net profits above the DM 767m ($403.6m) registered for 1985.

It reported a 7 per cent increase in earnings in the first nine months of 1986 to DM 488m. Turnover, however, fell 19 per cent to DM 29.3bn because of the effect of the dollar's fall on the D-Mark value of the group's energy and oil business.

Mr Rudolf von Bennigsen-Foerder, the chairman, indicated that the dividend, which was raised last year to DM 10 per share from DM 9, was likely to remain unchanged for 1986. He confirmed that the government intended to sell its remaining 25.6 per cent stake on the stock market in the first half of 1987.

Veba's electricity, chemicals, trade and transport activities all increased profits in the first nine months. Its oil business broke even despite the drop in the value of stocks.

Veba reduced its nine month worldwide oil production by 8.5 per cent to 1.58m tonnes.

Plate Glass recovers

BY JIM JONES IN JOHANNESBURG

PLATE GLASS and Shatterprufe Industries (PGSI), the South African glass and building materials distributor, recovered from 1985 profit setbacks in the six months to September, with interim turnover rising to R835m ($377m) from R762m and pre-tax profit lifted to R56.3m from R39.7m.

The directors say that domestic operations benefited from a strong export market and improvement in demand from certain sectors in the second quarter. They add that the company's business is highly sensitive to sales volume.

Exchange rate movements had little effect on the profits of subsidiaries in Britain, Australia and the US. Non-South African operations contributed 58 per cent of turnover and 49 per cent of earnings in the last financial year.

In South Africa demand from the automotive and building industries remains comparatively poor but sales were helped by the acquisition of Wesglas, the car safety-glass manufacturer.

First-half earnings rose to 133.5 cents a share from 88.4 cents and the interim dividend has been lifted to 42 cents from 35 cents. Last year's total earnings were 202.6 cents a share and the total dividend was 105 cents.

Brunei move on gas project

THE BRUNEI Government will gain control of the Brunei Liquefied natural gas project by increasing its equity to half the total, with the rest equally owned by Mitsubishi Corporation and Royal Dutch/Shell, according to Mitsubishi official, Reuter reports from Tokyo.

The three, currently equal partners in two other joint ventures – Brunei LNG for production and Brunei Coldgas for sales – will sign a provisional agreement tomorrow

Mitsubishi and Shell agreed to Brunei's request on condition that Brunei renews the agreement at the expiry of the 20-year contract in 1993.

INTERNATIONAL COMPANIES and FINANCE

Sales up 16% at Nordisk Gentofte

By Hilary Barnes in Copenhagen

NORDISK GENTOFTE, the insulin, blood products and growth hormone manufacturer, which was listed on the Copenhagen stock exchange in September, recorded a 16 per cent increase in sales to NKr 382m ($50.9m) in the half year to September.

The company said that the increase was achieved despite an appreciation in the value of the krone.

Pre-tax earnings were up from NKr 15m to NKr 22m.

The interim statement said that sales and earnings for the fiscal year would be in line with forecasts made in the share issue prospectus in September. This predicted an increase in sales from NKr 802m to NKr 922m and in pre-tax profits from NKr 89m to NKr 121m.

Earnings at Brown Boveri expected to show slight decrease

BY JOHN WICKS IN ZURICH

BROWN BOVERI, the Swiss-based engineering group, expects a "slight decrease" in consolidated earnings for the current year while group sales remain at about 1985 levels.

Last year consolidated net profits had improved by 28.2 per cent to SFr 109m, (C$66.4m) following a 23.7 per cent turnover increase to a record SFr 13.88bn.

A letter to shareholders said group sales were down 8 per cent for the first nine months compared with the corresponding period of 1985 at some SFr 7.1bn. This was due largely to exchange-rate developments.

The rate of decline would have been only about 1 per cent at unchanged parities. The billing of the Muelheim-Kaerlich nuclear power station order in Germany in the current quarter will bring annual turnover up to the 1985 total.

The board of the Baden parent company says that group order volumes will be lower this year, than last, when they had risen 4.4 per cent to SFr 13bn. In the first nine months the new-order value was down 14 per cent on corresponding 1985 levels to SFr 7.98bn, whereby more than one-half of this apparent decline was due to the stronger Swiss-Franc exchange rate.

At the same time, Brown Boveri reports a fall in demand by oil-producing and threshold countries, while the group itself was responsible for a cut in volume by a "selective approach" to the acceptance of orders.

"We are obviously not satisfied with the current results," Mr Fritz Leutweiler, chairman, told a press conference in Dättwil yesterday. These had, however, been better than had been feared, given such negative factors as exchange rates, protectionism, the third world indebtedness and loss of purchasing power in the Opec countries.

Next year should see improvements in operations earnings, he added, unless the market conditions deteriorated further.

Among loss-making product groups in 1986, Dr Leutweiler specifically mentioned the power-generation equipment and parts of the power-distribution programme.

Brown Boveri expects no real improvement in the energy sector until the 1990s.

On major group companies, the Swiss parent expects sales levels similar to the SFr 2.5bn last year. New orders for power-generation and transport equipment will be smaller but will keep to 1985 volumes in other activities.

The profits total before tax and depreciation, which has been affected by restructuring costs, is seen as being at about last year's level. If there is no marked improvement in net profits – which in 1985 amounted to only SFr 7.5m – it seems unlikely that the Baden company will resume dividend payments yet.

Orders received by the German subsidiary and its affiliates will be much lower this year, since 1985 had seen important nuclear-power contracts.

Sales will include the company's share in the Muelheim-Kaerlich contract but this will not make up for last year's billings which were raised by sales linked to the Thtr-300 power station. Profits are put at about the 1985 figure of DM 25.7m ($13m).

Nordic Investment Bank to raise share capital

BY OLLI VIRTANEN IN HELSINKI

NORDIC INVESTMENT Bank, the financing institution jointly owned by the five Nordic countries, plans to double its share capital to SDR 1.6bn ($1.93bn). The Helsinki-based bank has made a proposal on the subject to the Nordic Council of Ministers which will discuss the matter in February 1987 in Helsinki. It was supported by co-operation ministers of Sweden, Norway, Finland, Denmark and Iceland at their meeting in Copenhagen earlier this week.

The proposed rise in the share capital would also increase the bank's maximum lending authorisation to SDR 4bn, which according to its statutes, can be 2.5 times the share capital.

The bank made the proposal in the face of its fast growth. Its lending for the primary market, the Nordic area, grew by 75 per cent in 1985 and by 65 per cent the previous year.

The bank expects its lending portfolio to reach SDR 1.6bn by the end of this year.

Ferruzzi unit lifts profits

BY OUR FINANCIAL STAFF

AGRICOLA FINANZIARIA, the quoted Italian subsidiary of Mr Raul Gardini's Ferruzzi empire, has reported net earnings of L28bn ($20.5m) for its first six months to August, more than 5½ times higher than the L5bn achieved during the same period of 1985.

The company has been a vehicle for Ferruzzi's move towards majority control of British Sugar, the UK sugar beet monopoly which is owned by S. & W. Berisford, the commodities group.

Agricola has set December 16 as the date for a shareholders' meeting at which it will seek approval for a L569bn rights issue, unveiled a month ago.

It gave net assets at August 31 as L416bn, more than trebled since its February year-end when the figure stood at L130bn.

INTL. COMPANIES and FINANCE

El Rayan looks for new pastures

Tony Walker reports on a twist in the fortunes of an Egyptian deposit taker

WHEN THE head of an investment company claims he is holding several tonnes of gold, some of it on the premises, it seems reasonable to ask what security arrangements have been made.

"Don't worry about security," said Mr Fathi Tewfik Abdel Fatah, the bearded principal of El Rayan Investments, who then produced from inside his traditional Arab robes a hand-carved, silver plated Browning automatic made in Belgium.

Mr Tewfik removed the magazine before handing over the Browning. It was, by any standards, an unorthodox gesture for the chairman of a company which has invested more than $1bn of depositors' funds and has been paying an annual "dividend" of 24 per cent or more on those deposits.

The question for many Egyptians, not least for those in authority, is whether Mr Tewfik can sustain what on the surface appears to have been a phenomenal rate of success in his company's principal activities, which include currency speculation and trading.

Comments recently by Mr Ali Negm, the former head of Egypt's central bank, that no company involved in legal activities could afford to pay annual dividends of 24 per cent or more on US dollar deposits was in part responsible for a run on El Rayan last month that rocked the Egyptian financial sector.

The authorities are concerned about the security of deposits and about the possible impact of a collapse of a large investment house on the banking sector itself.

Perhaps as many as 20 deposit takers like El Rayan—but operating on a much smaller scale—have blossomed in Egypt in the past several years, drawing funds away from banks by offering high returns.

One of the Government's problems has been that its regulatory mechanisms to control this sector are undeveloped. Attempts have been made to strengthen controls, but the fast-growing Islamic investment sector engaged in a multitude of activities is proving difficult to regulate with the limited resources available to the central bank and central monetary authority.

Mr Tewfik revealed, during an interview in his cramped office dominated by a bank of telephones and several Reuter screens, that depositors had withdrawn more than $400m in several hectic days during November when traffic was jammed up for miles outside his headquarters in the busy Pyramid Road.

The weekly magazine October described the scenes outside El Rayan's modest office block as the "hurricane in Pyramid Road." Apart from the comments of Mr Negm, an article in the London-based Middle East Money magazine claiming that El Rayan had lost $100m in bullion trading helped provoke the run on the investment company.

Mr Tewfik, a 41-year-old former technician who spent 14 years in Saudi Arabia before returning to Egypt in 1980, denied emphatically that El Rayan had lost money in gold dealing. He also rejected allegations that his company was engaged in illegal business, such as black market trading.

Mr Tewfik attributed his company's rapid expansion from an egg delivery service in 1980 to a multi-billion dollar operation in 1986 to "hard work." He has another Reuter screen in his bedroom so he can catch the Far East markets, and says he sleeps two hours a night.

The volume of El Rayan's dealings has been such at odd moments that it has influenced international currency markets. Earlier this year it sold $500m worth of D-marks, largely negating an attempt by the Bank of Japan to depress the value of the dollar against the yen (a dollar was then worth about Y216) by selling $200m to $300m in US currency.

El Rayan also exerts a strong influence on Egypt's own somewhat chaotic foreign exchange market. It was rumoured earlier this month, when the Egyptian pound suddenly depreciated against the dollar, that El Rayan dumped dollars into the market to help stabilise the local currency.

Mr Tewfik would not comment directly on these reports, except to say: "We are very keen to have the dollar value against the pound the lowest possible. If we can help the Government we will. I can't tell you how."

Foreign and local bankers are intensely sceptical about El Rayan. A representative of a large American bank said that "at worst it is a pyramid scheme and at best it is a currency speculation."

Mr Tewfik, who wears a silver ring inlaid with nine solitaire diamonds on one finger, makes no attempt to hide the fact that currency speculation makes up the bulk of El Rayan's activities.

The run on his company, he said, had forced him to remove funds from international markets and to sell about half his gold holdings, which totalled about three tonnes before the recent crisis. His gold sales had depressed the market in Egypt from E£23 ($17) a gram to E£21. He had bought at E£14 to E£15 a gram, he said.

The rapid growth in deposits in El Rayan coincides with the strengthening Islamic trend in Egypt. The company is run according to Islamic principles in that it does not pay interest as such on deposits.

Instead, El Rayan makes "profit and loss" contracts with depositors, which means theoretically that they undertake to share in the successes and failures of the company.

Mr Tewfik appeared sensitive to suggestions that his company was a phenomenon of the fundamentalist tendency sweeping the Arab world. He pointed out that depositors included three Israelis.

A local banker was in no doubt that the religious trend is in part responsible for El Rayan's rapid growth. "The Islamic movement is not only political, but is becoming more of an economic power," he said.

Mr Tewfik says his company has 300,000 depositors, many of them small investors including Egyptians working in the Gulf. El Rayan was formally established in 1982 with capital of $2m subscribed by a handful of shareholders, including Mr Tewfik's two brothers.

El Rayan's activities accelerated towards the end of 1984 as depositors poured funds into the company, attracted by high yields on local currency and US dollar deposits.

Mr Tewfik said El Rayan was moving into manufacturing, heavy industry and agriculture. Some 20 companies had been established under the El Rayan umbrella.

The dismissed scepticism about his ability to handle huge sums of money on a daily basis. "We are working according to a very specific plan set by experts and technicians of international renown," he said.

El Rayan has a dealing room in its Pyramid Road premises. It has representatives in the US and Switzerland. Funds lodged in international markets now total about $150m, well down on the figure before the run in the company.

Mr Tewfik's strategy appears to be to move gradually from speculative activities to investments in industry and agriculture. In Egypt's difficult business environment these appear less likely to produce dividends of 20 to 30 per cent on money invested.

Metropolitan Life ahead

By Jim Jones in Johannesburg

METROPOLITAN LIFE, the South African life insurer which acquired a Johannesburg Stock Exchange quotation earlier this year, beat its pre-listing profit forecast by a small margin in the year to September.

Disclosed net profits attributable to shareholders were R9.3m ($4m) against a forecast of at least R8.5m and last year's outcome of R4.5m. Premium income rose to R213.2m from R192.4m and investment income increased to R118.9m from R98.2m.

Earnings per share were 21 cents against a prospectus forecast of 19.69 cents. A total dividend of 15 cents has been declared against a forecast 14 cents.

Japan's offshore market opens

BY IAN RODGER IN TOKYO

JAPAN'S offshore financial market made a better than expected start yesterday, attracting an estimated $55bn in deposits, roughly double the widely predicted amount.

The Ministry of Finance (MoF) said it had licensed 181 financial institutions to operate in the market. All the big Japanese "city" or commercial banks plus more than 50 regional institutions and most foreign banks have been given permission to open accounts for offshore deposits by and loans to non-residents.

The MoF hopes the market will grow to $85bn by the end of January, and gradually become a substantial force in promoting the international use of the yen. London has the world's largest offshore market, with outstandings of $750bn. New York's international banking facility (IBF) has about $260bn.

Pessimism about the market's prospects had been widespread because the Japanese authorities have placed a number of restrictions on the operation of the market. For example, depositors must pay full Japanese national and local taxes on income. Also, no securities or precious metal transactions are allowed because of the authorities' worries about leakage into the domestic economy.

There was some doubt about how many banks would apply for licences to deal offshore, but the MoF said yesterday only 10 foreign banks did not apply. Among them were Deutsche Bank, Hongkong and Shanghai Banking Corporation, Credit Suisse, and Irving Trust and Security Pacific of the US.

Mr John Mason, chief executive in Japan of Hongkong Bank, said it did not make sense to open an offshore account in Tokyo. "We already have several offshore banking units around the world, including many in this time zone," he said.

Most of the transfers to offshore accounts yesterday were in dollars and yen. Among the major entrants were Sumitomo Bank with transfers totalling $5.8bn in both yen and dollars, Sanwa Bank with $4.7bn and Y123.7bn ($763.5m), Daiichi Kangyo Bank with $3.6bn and Y84bn and Tokai Bank with $3.35bn and Y105bn.

MAS reluctant to take lead on Brunei bank

BY JOYCE QUEK IN SINGAPORE

THE MONETARY Authority of Singapore, the island's powerful quasi-central bank, appeared reluctant yesterday to take a leading role in resolving problems over the exposure of Singapore-operating commercial banks to National Bank of Brunei (NBB).

This followed a weekend visit to Brunei by a top-level MAS team headed by Mr Joe Pillay, its managing director. They were seeking clarification on the financial standing of NBB, which was closed on November 20 after a police raid on its offices. Five executives now face trial in connection with an alleged fraud conspiracy.

It was being suggested in Singapore yesterday that banks exposed to NBB would best be advised to agree a united response among themselves.

MAS officials did meet representatives of two unnamed creditor banks to discuss Mr Pillay's talks with the Brunei Finance Ministry, which are believed to have been inconclusive.

India relaxes hotel limits

INDIA HAS raised the maximum foreign equity permitted in hotel investment from 30 per cent to 40 per cent, effective immediately, Reuter reports from Delhi.

The ceiling, imposed about six years ago, was relaxed in order to encourage hotel construction, according to a government statement.

More rooms are needed to meet an expected increase in the numbers of tourists, Tourism Ministry officials said. More than 1m tourists are expected to visit India in 1986

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Banks lend bullion to finance gold mines

Banks have lent bullion for centuries to the jewellery industry to provide working capital to manufacturing companies. Now this tool of short-term trade finance has been adapted to fund mines for one to three years and occasionally for as long as seven years, reports Stefan Wagstyl

BANKS HAVE played an unsung role in financing the worldwide expansion of gold mining which has gathered pace in the 1980s.

While new gold companies and their promoters have loudly beat the drum for private and public equity issues, banks have quietly continued to provide the bulk of the industry's new funds.

Much of this has come in traditional cash loans. But a number of banks are increasingly lending gold as well as money to finance gold mine development.

In principle, these loans are straightforward, though the terms can be complex in practice — the bank lends gold to a mining company which then sells the metal in the market to raise money to build a mine. The borrower later repays the bank in gold out of the mine's production.

The underlying reason for the growth in bullion lending to mines has been the expansion in gold mining which followed the rapid rise in prices in the late 1970s and early 1980s. This spawned a large number of small companies with potentially profitable deposits but without the funds to develop them.

These companies are naturally reluctant to go into partnership with larger mining groups and give up equity in their prize assets — though some have had no choice at the end of the day.

However, starting in Australia, banks have realised that many new generation gold mines can be safely financed with loan capital because they are mostly open-pit operations which can be brought to production fairly quickly, typically in a year or 18 months. Also, production costs are usually substantially below the gold price.

At the same time, with increasing competition among banks, holders of bullion have steadily grown more interested in making this non-interest bearing asset generate income. One London bullion banker says: "The banks want to use their reserves instead of just sitting on them."

Initially, the market for gold loans was developed by banks in mining countries which in turn borrowed metal from bullion houses in London, Zurich, New York and elsewhere. The acknowledged pioneer was Westpac Banking in Australia, which made its first bullion loan for mine finance in 1984, but others were not slow to follow suit.

Cash loans still dominate the mining industry. In a study of 116 recent mine financings, Metals Economic Group, a Colorado research company, calculated that traditional loans accounted for $1.3bn out of $3.4bn raised in total, against just $90m for gold loans.

However, the study covered other metals as well as gold. Bankers say that in Australia some 75 per cent of recent gold mine financings have included a gold loan as part of the package.

For a mining company, the prime attraction of borrowing gold instead of cash is the low financing charge—normally 2 to 5 per cent a year, including guarantee fees. By contrast a US dollar loan might cost 10 per cent a year. The gap is not as large as it appears—most banks lending cash to small mining companies insist that the borrower sells forward some of his gold output to protect himself (and his creditors) against a possibly disastrous fall in prices. Forward sales, in effect, yield interest so the gap between the cost of cash and gold loans is reduced, perhaps to 1 or 2 per cent.

However, there is a price to be paid. With loans and repayments denominated in gold, the mining company forgoes at least part of the extra income it might otherwise earn from an increase in gold prices. Some mining companies therefore refuse to consider gold loans on the grounds that the first thing their shareholders want is to benefit from any upward swing in prices. Mr Douglas Bourne, chairman of Battle Mountain Gold, a US company, says "We don't like to hedge and lose out if the price goes up."

But Battle Mountain, a producing company with a high stock market rating, has had little trouble raising equity funds. Smaller companies — particularly in Australia where gold companies' price/earnings ratios are much lower than in North America — have to swallow their pride.

Gold loans are not easy business for banks. Just as in other forms of project finance, the bank has to assure itself of the technical and commercial viability of the mine because if gold output is reduced or delayed the company might default. One Australian banker says: "Project assessment has to be really good. You can't rely on a small mining company to do it for you."

Banks try to protect themselves against this risk by limiting loans so repayments do not amount to more than 15 or 20 per cent of forecast yearly production.

Gold price movements can also expose banks to risk. If prices fall, a mine might cut output or close down. If prices rise very far, there is another potential danger—if the project runs into trouble then the monetary value of the exposure can be much greater than at the outset.

As a result, gold loans are usually tied to price protection packages which allow a bank to make margin calls if gold prices rise above an agreed level. Sometimes there are let-out clauses which permit borrowers to switch from a gold loan to a currency loan if prices move against them. One London bullion house banker says: "The borrower likes to have flexibility."

Banks have to keep an eye on their total exposure to the gold market. "It's just like anything else. You don't want to be over-exposed to any one industry," said one banker.

But they believe gold loans are likely to remain important for as long as companies with modest resources continue to come up with attractive gold mining projects.

Primary floating-rate side active in specialised deals

BY CLARE PEARSON

THE PRIMARY floating-rate note (FRN) sector was active yesterday despite continuing weakness in the secondary market, particularly afflicting perpetual issues. Yesterday's FRNs, however, were specialised deals designed to appeal to particular segments of investor demand.

Morgan Stanley International launched a novel $165m issue for a special vehicle issuer called Parklabrea Finance. The deal is linked to the sale by May Department Stores Company to Forest City Enterprises of part of the Parklabrea residential apartment complex in Los Angeles.

The 12-year par priced issue, paying ¼ percentage point over six-month London interbank offered rate (Libor), has a triple A rating from the Standard & Poor's rating agency as it is guaranteed by Financial Security Assurance (FSA), a US financial guaranty insurance company. This is the second time that FSA has guaranteed a Eurobond issue, the first being for the US department store company Debartolo.

FSA's insurance is unlike actuarially-based insurance, which relies on the assumption that premiums and investment income will exceed expected losses over a number of years. FSA's financial guaranty relies on an assessment of the adequacy of various levels of security to meet debt service on a specific transaction without regard to premium paid, and as such is used to improve the marketability of high-quality debt.

In addition to FSA's guarantee, there is a partial guarantee by May and the backing of a first mortgage on land and improvements within the Parklabrea complex.

The issue, callable after five years, has fees of 100 basis points.

Meanwhile, Salomon Brothers International issued the latest in a recent spate of collateralised mortgage obligations (CMOs).

This issue for CMO Trust a special vehicle, is backed by 9 per cent collateralised mortgage obligations of the Federal Home Loan Mortgage Corporation to get a triple A rating from Standard & Poor's. Because of the expected prepayments on the underlying mortgages, the par priced notes, with a stated maturity in March 2018, are expected to have an 8¼ year life.

INTERNATIONAL BONDS

The $296.75m deal pays interest at 6.5625 per cent till March next year, and then at 50 basis points over three-month Libor, subject to a cap of 13 per cent. Fees total 40 basis points. Yesterday it traded at around 99.75 on the bid side.

Oriion Royal Bank raised floating rate funds for Heron International, the UK-controlled private diversified property group, with a seven-year issue paying ¼ percentage point over six-month Libor. The par-priced bond is fo ran initial $100m, and there is a further $50m on tap. It has fees totalling 70 basis points and is callable after three years.

In the Euroyen market, Nomura International issued a Y50bn bond for Nippon Telegraph and Telephone, the telecommunications entity that has just embarked on privatisation in Japan.

NTT achieved, with its seven year 5¼ per cent bond, priced at 101¼, ac ost saving of about 31 basis points at against an issue in the domestic yen bond market, Nomura said.

The dollar fixed-rate market traded weakly yesterday as the dollar came under pressure.

Bankers Trust led a $100m five-year 7⅞ per cent bond for NT Finance, on behalf of Australia's Northern Territory. The bond, priced at 101, was guaranteed by Dai-Ichi Kangyo Bank. It was launched at a spread of 110 basis points over the yield on US Treasury bonds, and traded at a discount of 2¼ per cent bid to issue price.

Societe Generale led a $150m seven-year 7¼ per cent bond for Credit Foncier, the French state agency. The deal, priced at 100¼, traded at discounts around or inside the level of its 1⅞ per cent fees.

LTCB International launched a $200m 8 per cent bond, priced at 101⅝, for Long-Term Credit Bank of Japan. The deal matures in 1997.

EBC Amro led an A$60m three-year 14¼ per cent bond for its parent Amro Bank.

In West Germany, a morning rally faded somewhat during the afternoon when the New York market opened, but still left prices about a quarter point higher.

In Switzerland, prices were also slightly higher on professional rather than retail support in fairly quiet business. The SFr 80m issue for First City Financial closed at 94½ after opening on Friday at 96, compared with an issue price of par.

Indicated terms emerged on Standard Chartered Bank's SFr 300m 10-year issue with equity warrants. The coupon is indicated at 4 per cent, with par pricing. Handelsbank is leading the deal. Although Handelsbank said it had met a positive response, some dealers said the market reception was clouded by last week's resignation of Tan Sri Khoo Teck Puat, a 6.2 per cent stakeholder, from Standard Chartered's board.

Swiss insurer investment rules eased

SWITZERLAND is to allow life insurance companies to invest in foreign currency instruments and give them greater flexibility in equities investment, Reuter reports from Berne.

The change allows life insurers to keep up to 30 per cent of their portfolios in shares, instead of the current 6 per cent. Within the 30 per cent they will also be allowed to hold dividend-right certificates, participation certificates and equity warrants and options.

Holding instruments abroad in foreign currencies will also be allowed for the first time.

The Swiss Justice Ministry said the old regulations took insufficient account of recent modifications in the international financial markets.

Samurai market reform planned

BY YOKO SHIBATA IN TOKYO

THE TOKYO Stock Exchange has proposed a sweeping reform of the Samurai bond market — the Japanese market in yen-denominated bonds issued by foreign borrowers — in response to criticism that the process of internationalisation in the Tokyo capital market is too slow, resulting in the Samurai market's current doldrums.

The TSE is proposing to extend trading sessions for large lot Samurai transactions to two hours a day from the present 30 minutes. It is also suggesting that brokerage teams within securities firms be assigned specifically to Samurai bond trading, and that additional telephone lines be installed between the exchange and the main market makers.

TSE officials hope that these measures could all be put into effect next month once the Ministry of Finance and the securities industry have had their say.

Foreign investors have been largely ignoring the Samurai market despite the regulatory measures already implemented by the MoF in an effort to revitalise it. One widespread criticism of the market has been its lack of liquidity, blamed by many on dull performance.

Another step the TSE plans to take to revive the Samurai market is the revamping of distribution, ahead of changes planned in other domestic bond markets. And for the first time since the market was set up in 1970, the number of bonds listed on the TSE will fall this year to around 250 as a result of the reduction in the number of new issues.

Including two that are still in the pipeline, a total of 21 new Samurai bond issues is expected this year—down by 14 from last year. Prospective issuers complain that, by comparison with the Euroyen market, listing requirements are onerous and inflexible.

This year, the Samurai market has been hit by a rash of early redemptions, the first such move that it has had to contend with. An unwritten market rule has been that an issuer calling a bond has been denied re-entry to the market. This year, however, no fewer than 22 issuers have redeemed ahead of schedule, with the borrowers substituting cheaper financing, either through re-entering the Samurai market or by going to the Euroyen market at lower coupon levels.

Hongkong Bank offers currency spread hedge

By Alexander Nicoll

A NEW instrument providing protection against changes in the spreads between interest rates on different currencies is to be launched this week by Hongkong & Shanghai Banking Corporation and Fulton Prebon Capital Markets, a moneybroker.

The product developed out of Hongkong Bank's constant need to fund US dollar assets with Hong Kong dollar liabilities, and its consequent exposure to widening or narrowing spreads between the two currencies' interest rates.

Called a Forward Spread Agreement, it is structured like a future rate agreement (FRA) — which provides forward interest rate protection in one currency — but also has some of the characteristics of a currency swap. One of the currencies involved will always be the US dollar.

Hongkong Bank will begin making markets, with Fulton as broker, in Hong Kong dollar FSAs this week. The yen will be added in January, and possibly other currencies such as sterling, the D-Mark, and the Australian dollar.

Although its situation is unusual in that its local currency has an exchange rate firmly pegged to the US dollar, the Hongkong Bank believes that FSAs have wide applications in other currencies. It is hoping that other banks will also take up the product and make markets in it so that a liquid market develops similar to FRAs.

Further bank deregulation in Finland

By Olli Virtanen in Helsinki

THE Bank of Finland, the country's central bank, has taken another step on the path of deregulation by allowing banks to introduce a reference rate to which they may link short and medium-term loans.

The reference rate reflects the cost of unregulated short-term funding. Previously these loans could only be linked to the central bank's base rate which has been a rigid instrument.

In the new system, the reference rate may vary in short intervals and likewise the cost of borrowing.

The central bank expects the new rate linkages to be applied primarily to well-established corporate customers. They will not apply to housing loans or loans of more than five years which will still be linked to the base rate.

In a separate decision, the Bank of Finland has lowered the call money deposit rate from 10.8 per cent to 9 per cent in order to develop the inter-bank markets in short-term money. The call money rate for borrowing from the central bank stays at 11.8 per cent.

Last week, the Bank of Finland decided to allow the banks to obtain three-month financing from the central bank instead of the daily call money.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 1

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7⅞ 93	100	96¾	97¼	0	−0⅛	8.21
Australia Com. 11 95	200	115⅝	116⅛	−0¼	0	8.30
Australia Com. 11¼ 00	100	115½	116⅛	−0½	−0¼	9.15
BP Capital 9⅝ 94	100	105⅞	106	−0¼	+0⅛	8.04
British Telecom 7⅜ 96	250	97¼	97¾	−0¼	+0⅛	8.00
Campbell Soup 10½ 95	100	112⅞	113⅜	0	0	8.32
Canada 9 96	1000	107¼	107¾	+0⅛	+0⅛	7.82
Canadian Pac. 10¼ 93	100	109¼	109¾	−0¼	−0⅛	8.76
CCCE 7⅞ 91	125	99⅛	99⅝	−0¼	−0¼	7.28
Citicorp 8¼ 93	200	97¾	98¼	+0⅛	+0¼	8.66
Credit Lyonnais 9 91	200	105¼	105¾	−0⅛	0	7.42
Credit National 9⅛ 93	150	106¼	106¾	−0⅛	+0⅛	7.76
Credit National 7¾ 91	100	99½	100	—	—	7.31
Denmark Kingdom 7¾ 95	250	99½	100	−0⅛	+0⅛	7.79
Denmark Kingdom 8¾ 91	300	102¾	103¼	−0⅛	−0¼	7.44
Deutsche Bank Fin. 8 98	110	98	98½	0	−0⅛	8.23
EEC 7 91	100	99	99½	−0¼	+0⅛	7.18
EEC 8¼ 96	100	102¾	103⅜	−0⅛	−0¼	7.78
EEC 8⅝ 91	150	105¼	105¾	−0½	−0¼	7.85
EEC 9⅝ 90	350	106¼	106¾	−0¼	−0¼	7.54
EIB 10¼ 94	300	112¼	112¾	0	+0⅛	8.00
EIB 12 95	200	120	120½	0	+0½	7.92
Eurofima 7¾ 91	100	101⅛	101⅝	0	+0⅛	7.31
Export Dev. Cpn. 10 90	200	109⅛	109⅝	−0¼	−0¼	6.87
Finland 7⅞ 93	200	98¾	99¼	−0½	+0¼	7.69
Ford Motor Cred. 10½ 91	250	110⅜	110⅞	−0⅛	+0	7.88
Ford Motor Cred. 11¼ 90	100	110¼	110¾	0	0	7.59
Gen. Elec. Cred. 10¼ 00	200	107⅛	107⅝	+0⅛	+0⅛	9.25
GMAC 10¼ 89	200	107⅛	107⅝	−0¼	−0⅛	6.81
GMAC 8½ 93	200	102¼	102¾	−0⅛	0	7.98
IADB 9⅞ 95	200	111⅛	111⅝	+0⅛	+0¼	8.02
Liberty Mutual 8½ 96	150	101⅛	101⅝	0	−0¼	8.24
LTCB of Japan 8 91	100	102¼	102¾	0	+0⅛	7.34
Merrill Lynch 8¼ 91	100	104⅛	104⅝	−0⅛	−0⅛	7.60
Merck-Benz Cred. 7½ 93	100	100½	101	−0⅛	−0¼	7.34
Norway Kingdom 7¼ 91	500	100¼	100½	−0¼	−0⅛	7.17
Pepsico Inc. 7⅞ 93	200	97¾	98¼	0	0	7.77
Philip Morris 7½ 91	100	99	99½	−0⅛	−0⅛	7.72
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†100	100¾	−1	−1	5.60
Amer. Corp. 5¼ 01	200	†92¼	92½	+0½	+0½	6.05
Baker Int. 4½ 96	200	*†90⅛	90⅝	0	0	5.48
Carlsberg 5 96	80	*†102⅝	102⅞	0	0	4.65
Chujitsuya 5¼ 94	50	*†102⅝	102⅞	0	0	4.95
Deutsche Bk. Fin. 5⅝ 95	100	†105⅛	105¾	−1½	−1½	4.53
Gen. Occidentale 4½ 94	80	†124	124¾	+5	+5	7.32
Glendale F. S. & L. 5½ 95	100	†100¾	101	0	0	5.37
Humana 5⅛ 98	120	*†96¼	96¾	0	0	5.58
Ireland 5⅛ 94	250	†101¾	102½	+0¼	+0¼	4.90
Japan Dev. Bk. 5⅛ 97	100	*†102⅝	102⅞	0	0	4.77
Oberos. Kftwk. 5⅜ 95	100	*†103⅝	103⅞	0	0	4.79
Olivetti Int. 5½ 95	100	*†103½	103¾	−0½	−0½	4.97
Pepsico 5⅛ 95	130	*†103⅛	103⅜	0	0	4.74
Phibro-Salomon 5⅛ 97	120	†100	100¼	−0½	−0½	5.11
Ralston Purina 5⅜ 94	125	*†103⅛	103½	0	0	4.89
Settsu Euro. 0 01	100	†45½	45¾	−0¼	−0¼	5.65
US Steel 5⅛ 96	200	*†88½	89½	0	0	6.94
USX Corpn. 5¼ 98	100	†87	87¼	−7½	−7½	7.43
World Bank 5¼ 94	150	†103¾	104	−0⅛	−0⅛	5.15
Average price changes on day −0¼ on week −0⅛						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	100¾	100⅞	−0⅛	+0⅛	5.73
Denmark 6⅛ 96	10	103½	104	0	+1	5.64
GMAC 5⅜ 91	40	98¾	99¼	0	+0⅛	5.80
EIB 6⅛ 96	25	103⅞	103⅞	0	+1	5.62
Sweden, Kingdom 5⅝ 95	20	98½	99¼	+0⅛	+1¼	5.81
Average price changes on day 0 on week +0⅛						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Sanwa Bank 2¼ 00	10/85	1486	152⅞	153⅞	−0¼	4.80
Sumitomo Bank 2¼ 00	8/85	2142	157¼	158¼	−0¼	9.27
Toshiba Ceramics 3 00	4/85	1734	122⅞	123⅞	0	2.83
Nippon Oil Co. 2¼ 92 SFr	3/84	1052	*†132½	132½	0	13.01
Nippon Shinpan 2 92 SFr	3/84	801	*†179½	179½	0	14.85
Asics 5 92 DM	12/83	520	126½	128	−3	3.82

* No information available—previous day's price.

† Only one market maker supplied a price:

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The prices over the past week were supplied by: Kredietbank NV; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Daiwa Europe NV; Credit Commercial de France (Securities); EBC Amro Bank; LTCB International; Robert Fleming and Co.; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch Pierce Fenner and Smith; Morgan Stanley International; Nikko Securities Company (Europe); Nomura International; Orion Royal Bank; Samuel Montagu and Co.; Societe Generale Strauss Turnbull; Sumitomo Finance International; Swiss Bank Corporation International; S. G. Warburg and Co.; Wood Gundy.

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Norton Opax on target for £5.8m

BY DAVID GOODHART

Norton Opax, which yesterday confirmed victory in its battle for control of McCorquodale, also announced a 22 per cent increase in its interim pre-tax profits for the half year ended September 30 1986.

Turnover rose only slightly from £34.1m to £34.93m — mainly due to the disposal of its retail interests — and pre-tax profit rose from £2.13m to £2.59m. Earnings per share of 5.03p represents an increase of 22 per cent.

Mr David Rocklin, the chairman of Norton, said: "On October 1 in connection with our bid for McCorquodale we made a forecast of pre-tax profits of £5.8m and of earnings per share of 11.5p for the year ending March 31 1987.

"The current trading position is strong and I anticipate being able to report figures in line with these forecasts in my next statement."

He added: "With the approval of the Panel on Takeovers and Mergers our offer for McCorquodale was declared unconditional on November 24 1986, when we had received acceptances for 50.2 per cent of the ordinary shares.

"On November 25 the directors of McCorquodale recommended their shareholders to accept our cash offer, which closes on December 5. I would like to take this opportunity to welcome all those new Norton Opax shareholders and to confirm my confidence in the

THE McCORQUODALE CASE

Appeal against Panel ruling dismissed

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

PRUDENTIAL-BACHE, the US securities house, has lost its court challenge to a ruling made by the City Takeover Panel ni the battle over the £155m takeover bid by printer Norton Opax for McCorquodale, another printing group.

The Court of Appeal yesterday dismissed Pru-Bache's claim for an order quashing the panel's rejection of Pru-Bache's complaint that there had been a "concert party" in the purchase of McCorquodale shares.

Sir John Donaldson, the Master of the Rolls, said the court would give its reasons for its ruling, and its decision on the important general issue of the legal status of the panel, later, possibly by the end of the week.

The three judges gave an immediate ruling on Pru-Bache's claim for a quashing order "in view of the market considerations," Sir John said.

Pru-Bache, which is advising aDtafin, a company formed by an element in McCorquodale that favours a management buy-out, had complained to the panel that a last minute purchase of McCorquodale shares by the Kuwait Investment Office, one of Norton's "core" underwriters, at 315.5p, when Norton's cash alternative was 303p, had been the result of a "concert party."

In its claim to have the panel's ruling judicially reviewed and quashed, Pru-Bache alleged that the panel misdirected itself in two ways.

It failed to consider the application of Rule 6 of the City Takeover Code, dealing with purchases of shares above the offer price, to the KIO purchase, and applied the wrong test of whether there had been a concert party.

In an affidavit read to the court yesterday, Sir Jasper said that acting in concert was clearly defined in the takeover code. An agreement or understanding was an essential element, but the absence of direct contact was not an absolute bar to a finding of concerted action.

Both County Bank and Prolific Financial Management had bought McCorquodale shares at 315.5p at about the same time as KIO and had given the panel evidence of the investment considerations that had led them to do so.

KIO also had given evidence that there had been genuine investment reasons for it buying when it did.

Sir Jasper stated that, having heard all the evidence and considered oral and written submissions, the panel had decided that KIO and Norton had not been acting in concert within the meaning of the code.

He also stated that the panel attached no significance to the fact that KIO had used Greenwell Montagu, who were Norton's brokers on the offer, as its broker for the share purchase.

Mr Jeremy Lever, QC, for Pru-Bache, said that the company found that last statement by Sir Jasper extraordinary. A system where a core underwriter could place an order through such a broker was "positively conducive to a kind of collusion."

If the panel did not find that significant, it must call into question whether the system was satisfactory and whether the panel was a satisfactory body to administer it, Mr Lever suggested.

During discussion on whether the panel was a public law body susceptible to judicial review, Sir John Donaldson said that the panel might be in a worse position if liable under private law than if subject to judicial review. People would be coming to court and challenging every panel decision as being unlawful in restraint of trade.

Mr Robert Alexander, QC, for the panel, thought that unlikely. He also said that it was inappropriate to approach the issue on the basis that it was desirable for a remedy to be available through the court, even if, in practice, the court would be unlikely often to exercise its powers.

Sir John said it might be useful if the court had a power to make declarations "post mortem." That, he said, would be consistent with its approach to the Monopolies and Mergers Commission.

It could do little harm, and might do good, if, after the event, the court were to tell the panel, for its guidance, that it had gone wrong.

Arnotts rejects bid from Glen Abbey

By Hugh Carnegy in Dublin

Arnotts, the Dublin retailer, said yesterday it had rejected an unsolicited approach by Glen Abbey, an Irish clothing maker, to acquire its entire issued share capital.

Glen Abbey, which incurred a pre-tax loss of I£479,000 in 1985, is much smaller than Arnotts and analysts said its bid was likely to be heavily leveraged.

It has undergone major restructuring recently to cut losses and debts. In the past 18 months it has disposed of its mens knitwear division to a US consortium, another clothing division to Babygro and its ladies lingerie outfit in a management buyout, leaving hosiery making as its main business.

These moves were aimed at reducing turnover, at I£16m last year, to an annual level of I£4m, cutting employment from 700 to 150 and restoring profitability.

It signalled its interest in property, distribution and services

Analysts said Arnotts, a little-traded stock, had continued to make profits throughout the recession although it was regarded in some respects the year to January 18, 1986, were £12.8m on turnover of I£51.6m.

GUS makes £12m Australian disposal

BY MIKE SMITH

Great Universal Stores, the mail order, retailing and financial services group, yesterday anonunced the sale of Patersons, its Australian furniture stores chain in an A$25.5m (£11.6m) deal.

It is also buying a 90 per cent stake in Superior Acceptances, a Canadian consumer loans company, for C$16.2m (£8.3m).

In the Australian deal, retailer Malcolm Reid is exchanging 20 per cent of its equity and A$16.5m for the 112-store Patersons.

The agreement is similar to a £146m deal which GUS concluded with Harris Queensway earlier this year by which Harris bought the Home Charm and Times Furnishings stores for 23 per cent of its equity.

Mr Harold Bowman, GUS's assistant managing director, said yesterday that the company was getting highly specialised people to run Patersons and a large stake in a major company.

Superior Acceptances, which is being bought from Posluns, operates through 34 branch offices. Its management will be retained.

GUS is one of the UK's 20 largest companies. In the year to last March it achieved profits of £297.7m on sales of £2.27bn.

Adam Leisure listing suspended

Shares in Adam Leisure, the loss-making electronics games company which is traded on the USM, were suspended yesterday at 15p. The company refused to comment any further, but said that an announcement would be made within 48 hours.

Adam Leisure last made a profit—£3m before tax—in the year to August 1983 just after it came to the USM at a striking price of 88p. Since then, there have been two years of mounting losses as the company suffered reduced demand for hand-held electronic toys.

In the first six months of the current year, there was a £325,000 deficit, but the directors had been optimistic about its new range of "talking friends"—electronically operated toys which repeat conversation.

COMPANY NEWS IN BRIEF

G. B. PLAXTONS has been notified of an increase in the interest of W. S. Yeates from 609,000 shares (5.1 per cent) to 809,000 (6.8 per cent).

CHAMBERLIN & HILL (foundries and electrical engineer): Interim *dividend unchanged at* 1.4p for six months to September 30 1986. Turnover £5.38m (£5.16m) and pre-tax profit £192,000 (£202,000). After tax of £67,000 (£81,000) earnings per share stated at 3.53p (3.42p). Directors said much progress had been made in restructuring the company but there was no sign of an upturn

DUNDEE AND LONDON Investment Trust — Earnings year ended October 31 1986 were 6.09p (5.62p) and final dividend 3.8p to make 6p net (5.4p). *Total revenue* £1.62m (£1.53m) and net balance £1.04m (£959,000). Net asset value 276p (225p).

A. AND M. GROUP has entered into an agreement to acquire Wenmay, a private company providing transport to film companies. Initial consideration is £300,000 to be satisfied as to 50 per cent cash and the balance via the issue of 1,214,618 shares. There is to be a deferred consideration based on profits. A and M has also acquired Bovingdons Catering for no more than £15,000 cash and 40,000 shares.

DISTRICT AND URBAN Investments bought another 10 per cent stake in Headlam, Sims and Coggins to raise its holding in the footwear manufacturer to 24.07 per cent.

Stake in Wyndham increased

BY CLAY HARRIS

Swansea businessmen Mr Huw Francis and Mr Robert Sullivan have bought another 50,000 shares in Wyndham Group to raise their stake in the engineering and property company to 13.74 per cent.

The two men have put forward propsoals to the Wyndham board, although Mr Brian Brownhill, chairman, has said that he planned no further talks with them.

Wyndham announced last week that it had sold 805,082 shares in John Williams of Cardiff, the steel stockholder and foundry group for which it unsuccessfully bid earlier this year. The shares were sold in the market over three days last week for an average price of about 42.5p, against yesterday's unchanged 39p. Wyndham continues to hold 350,852 Williams shares, a stake of about 4.4 per cent.

Wyndham closed unchanged yesterday at 126p.

SAMUELSON GROUP is putting up for sa'e the Production Village in Cricklewood as it does not now form part of the mainstream business. Net proceeds will go to reducing group indebtedness. The site of 1.5 acres was to be developed as a film studio complex with licensed premises; it subsequently proved unsuitable for studio useage but the licensing side flourished and in the year ended March 31 1986 produced turnover of £960,000.

GRANVILLE
SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E
146	118	Ass. Brit. Ind. Ordinary	135	—	7.3	5.4	8.3
151	121	Ass. Brit. Ind. CULS	147	—	10.0	6.8	—
46	28	Armitage and Rhodes	38xd	—	4.2	11.1	5.3
71	64	BBB Design Group (USM)	64	—	1.4	2.2	15.2
207	108	Bardon Hill Group	207	+1	4.6	2.2	23.5
92	42	Bray Technologies	92	—	4.3	4.7	10.9
201	75	CCL Group Ordinary	137	+1	2.9	2.1	9.7
152	86	CCL Group 11pc Conv. Pf.	107	—	15.7	14.7	—
259	80	Carborundum Ordinary	259xd	+1	9.1	3.5	12.5
94	83	*Carborundum 7.5pc Pf.*	93	—	10.7	11.5	—
32	20	Frederick Parker Group	22	—	—	—	—
125	50	George Blair	90	—	3.8	4.2	2.3
95	20	Ind. Precision Castings	95xd	+1	6.7	7.1	8.5
218	154	Isis Group	154	—	18.3	11.9	6.9
127	101	Jackson Group	127xd	—	6.1	4.8	8.6
377	228	James Burrough	362	−1	17.0	4.7	10.2
100	85	James Burrough 9pc Pf.	93	—	12.9	13.8	—
1035	342	Multihouse NV (AmstSE)	780	—	—	—	40.9
380	260	Record Ridgway Ordinary	370	—	—	—	6.6
100	87	Record Ridgway 10pc Pf.	87	—	14.1	16.2	—
90	32	Robert Jenkins	85	—	—	—	3.7
38	28	Scruttons "A"	38	—	—	—	—
133	86	Torday and Carlisle	133	+1	5.7	4.3	8.1
370	320	Trevian Holdings	338	−2	7.9	2.3	7.0
80	25	Unilock Holdings (SE)	80	—	2.8	3.5	14.7
102	47	Walter Alexander	100	−1	5.0	5.0	9.6
226	190	W. S. Yeates	186	—	17.4	8.9	19.6
98	67	West Yorks. Ind. Hosp. (USM)	93	—	5.6	6.0	13.3

Polly Peck on target with £70.4m

BY CLAY HARRIS

Polly Peck International yesterday reported a 15 per cent increase in full-year pre-tax profits to £70.4m and finally unveiled long-rumoured plans to move into tourism with construction of a five-star hotel at Antalya, southern Turkey.

The international trading group's results for the year to August were roughly in line with analysts' forecasts, unlike last year's debacle when the company fell short of predictions that had been scaled down only weeks previously.

Polly Peck's shares nevertheless shed 8p to 182p, valuing the company, headed by Mr Asic Nadir, at £197m.

The bulk of profits, £65m (£55m), came once again from fresh produce, bottled water and packaging operations in Turkey and northern Cyprus.

The company reported a small overall reduction in margins because of a changing sales mix and efforts to make headway in European markets.

Turkish-based consumer electronics more than doubled profits to £4.1m (£1.9m) as increased use of local components allowed an improvement in margins, both through reduced hard-currency costs and lower import duties.

Polly Peck added compact disc players and rudimentary home computers to its television, video cassette recorder and audio equipment range.

Profits from textile operations fell from £4.2m to £1.3m largely through problems at Wearwell and Inter-City's UK operation. Wearwell suffered as Polly Peck moved to shift its emphasis away from Middle East markets, where trading relied on long-term credit, to the US and Europe.

"We are prepared to take lower margins if it proves our money moves around quicker," Mr Mark Ellis, joint managing director, said yesterday.

Inter-City lost about £500,000 (£200,000 profit) in difficult UK market conditions. The company planned further integration of Wearwell and Inter-City and said that it had a firm footing in the Far East through holdings in Hong Kong textile groups Shui Hing and Impact.

ICP, the northern Cyprus-based pharmaceuticals maker, had not yet made any contribution to profit.

Construction of the Antalya hotel, due to be completed by May 1989, would cost £15m, 60 per cent of which would be borrowed. The company was discussing management contracts with international operators, but planned in any case to retain majority ownership of the 404-room, 12-suite hotel.

Group turnover rose by a third to £273.7m (£205.5m).

After a 12.9 per cent tax charge of £9.1m (£10.7m), profits amounted to £61.2m (£50.4m). Earnings per share rose to 56.3p (52.6p), or 50.6p (49.3p) fully diluted by convertible loan stock and share options.

Mr Asil Nadir, chairman of Polly Peck

A final dividend of 5.25p (3.75p) is proposed, for a total of 6.75p (5.25p). The company also plans a one-for-five scrip issue, to indicate "its confidence in the future."

See Lex

Buy-out of Longton Ind subsidiary

Five former managers at Longton Industrial Holdings, road haulier taken over by Thomson T-Line in July, are buying out the steel stockholding subsidiary, James and Tatton.

To fund the deal, plus the privately - owned industrial fasteners business, Delingpole Fasteners, the managers have raised £9m, of which about £4m will be paid to Thomson T-Line.

The team is headed by Mr John Dale, former managing director of Longton's Jaton subsidiary, distributor of industrial fasteners and engineers' supplies. Last spring, Mr Dale offered to back the Thomson bid with his own shares and it was agreed that, if successful, Thomson would sell him the Jaton subsidiary.

Mr Dale subsequently left Longton and it was not possible to agree a price for Jaton. Instead, Mr Dale plus another ex-Jaton director and three James and Tatton directors are buying the steel stockholding business.

The managers have contributed £340,000 towards the buyout, and will hold 34 per cent of the equity of the new company, Berry Hill Group

British Gas advisers nervous

THE ADVISERS to the £5.6bn offer for sale of shares in British Gas were last night showing signs of nervousness that many would-be investors could fail to meet tomorrow's 10 am deadline.

There was no further advance on Sunday's tally of more than 2m applications because the weekend post had not yet been delivered. The bulk of applications is expected to arrive today and tomorrow.

The advisers are nervous because although market research has indicated that about 6m people are certainly planning to buy shares, a market research figure of 3m "certain" applicants was translated into only 2.3m actual applicants in the British Telecom flotation two years ago.

The market research forecast of 4.8m applicants in the TSB flotation proved to be accurate, but that may have been because investors found it easy and convenient to leave their applications at the bank's branches. Small investors are thought to be largely unaware that they can leave their British Gas applications at branches of National Westminster Bank, the receiving bank to the issue.

If 6m applicants do emerge, the offer will be heavily oversubscribed at the present average rate of over 800 shares per application. Any rationing process that takes place is widely expected to favour the smaller investor.

Tribble Harris valued at £14m.

BY ALICE RAWSTHORN

Tribble Harris yesterday became the first US architect to go public in London by joining the Unlisted Securities Market through a placing of shares.

After the placing—through stockbrokers Savory Milln—the company will be valued at £14m. It is one of the larger architectural practices in the US with a business which has expanded to include planning, engineering and interior design.

In the US corporate clients include Saatchi & Saatchi and the Marriott Corporation.

Tribble Harris Li is eager to expand in Europe and intends to open an office in London in the New Year. The flotation is seen as a precursor to this and the choice of London as the market for quotation reflects the company's eargerness to strengthen its European marekting efforts.

In the flotation Tribble Harris Li will release 3.6m shares, or 29 per cent of the equity, at 112p a share, thereby raising £4m. Almost £1.5m will be invested in the company. Initially it will be used to reduce borrowings and to provide working capital.

In the longer term the company proposes to embark upon acquisitions, specifically by acquiring a similar business in the UK.

In the financial year to November 30 1985 Tribble Harris Li produced pre-tax profits of $733,000 on turnover of $12.1m. The prospectus forecasts profits of $1.8m for the 1985-86 financial year.

This puts the shares on a prospective p/e of 15.9 and on prospective earnings of 7.04p assuming a tax charge of 37.5 per cent.

Heron holds 6.1% stake in Chloride

HERON INTERNATIONAL, the property and financial services group headed by Mr Gerald Ronson, yesterday disclosed that it now holds a 6.1 per cent stake in the troubled batteries maker, Chloride Group.

The stake, which has been built up over the past four to six weeks, is held through one Heron subsidiary and two nominee companies. In its letter notifying Chloride of the holding, Heron says: "We confirm that these shareholdings are held within the framework of the current share investment and trading activities by the companies concerned. The size of these holdings will be reviewed from time to time according to the respective portfolio needs of those companies."

Commenting on the stake, Heron director, Mr Alan Goldman said yesterday it was, "just an investment and we have no further plans to add to our stake immediately." However, he refused to comment on whether future contact between the two companies was planned.

The two companies talked briefly on Friday when Heron informed Chloride of its stake.

Chloride has been the subject of much bid speculation recently, and yesterday the shares added a further 2½p to 54½p valuing the company at around £70m. It made a small profit in the years ended March 1084 and March 1985, but then produced just £0.5m pre-tax in 1985-86.

However, figures for the first half of 1986/87 showed a sharply increased result at £5.3m pre-tax. Yesterday's announcement came on the same day that international banker, Mr Kent Price, took up his appointment as Chloride's new chief executive.

Stake in stockbroker for Burns-Anderson

Burns-Anderson, the Manchester-based financial services and motor distribution group, is to take a 51 per cent stake in W. H. Ireland Stephens, a Manchester-based stockbroker, for £265,000.

Burns will pay £200,000 in the form of redeemable loan stock and £65,000 in cash. It has the right to buy the remaining 49 per cent over the next five years.

Ireland Stephens has a client list of 9,500 and its two constituent parts, which recently amalgamated, had combined profit of £164,000 in the year ended September 1986.

Burns itself is fighting off a £21m takeover bid from two West Midlands property developers, Mr Roy and Mr Donald Richardson.

Abaco expands loss adjustment business

Abaco Investments, the financial services group, is expanding its stake in the insurance loss adjustment business by the purchase of two Hong Kong companies for a total of £400,000.

Toplis and Harding, Abaco's recently acquired loss adjustment subsidiary is buying IAP (Far East), a non-marine adjuster, and 70 per cent of IAP Marine Services, which handles marine loss adjustment.

Abaco will pay £70,000 in shares and the balance in cash.

EMI-Polygram £6m sale to Woolworth

Woolworth Holdings, the retail group, has bought Record Merchandisers, the record distribution company, from EMI-Polygram for £6.25m in cash.

Record Merchandisers already handles all distribution for Woolworth, Britain's leading retailer of recorded music.

Woolworth accounted for more than two thirds of Record Merchandisers' £68m annual turnover.

- Woolworth yesterday applied for traded options to be made available on its shares.

L and M sale

London and Manchester Group, insurance company, has sold a near 10 per cent stake in London Trust. Just more than 9m shares were sold by Strand Nominees, a stock under London and Manchester's control, as beneficially owned by the 1928 Investment Trust.

London and Manchester said the move was not connected with the recent disclosure by London Trust that it has a $612,500 stake in the Boesky partnership and $5m of 13 per cent Hudson Funding Corporation loan notes for investment by Mr Boesky. L. and M. retains a 6.1 per cent stake in the company.

Milford Docks

Milford Docks said that Seacon and associates had raised their combined holding in the Welsh harbour company to 13.94 per cent.

AE beats profit forecast as Hollis ups stake to 26%

BY DAVID GOODHART

AE, the engineering group which is the subject of the bid battle between Mr Robert Maxwell's Hollis Group and Turner & Newall, yesterday improved on its forecast of £28m and reported pre-tax profit of £29m in the year to September 30, 1986.

Also yesterday, Hollis announced it had backed up its agreed deal by increasing its AE stake to just over 26 per cent. T&N either owns or has received acceptances for over 40 per cent of the company.

AE's pre-tax profits are a 13 per cent improvement on last year's £25.6m, turnover was up 2.4 per cent to £392.3m and earnings per share rose 16 per cent from 18.1p to 21p.

Sir John Collyear, the AE chairman, stressed that non-UK sales now accounted for 60 per cent of the total and that exports from the UK had risen by £13m to £118m. By 1988-89 overseas sales are expected to rise to 70 per cent of the total.

Sir John also emphasised that AE had been rapidly reducing its dependence on the automotive parts after-market—down from 48 per cent of turnover in 1983 to 27 per cent this year—which, he said, was becoming decreasingly profitable as vehicle parts last longer.

Redundancy costs arising from this shift away from the after-market knocked more than £6.1m off the operating profit of £40.1m. However, a pension fund holiday added £3.5m for the year to produce trading profit of £37.5m.

The earnings of the major overseas subsidiaries in France, Germany, Italy and South to produce profits of £3.1m compared with losses of £4.4m in 1985. Gearing reduced from 46.7 per cent to 45.2 per cent and return on capital employed rose from 15.4 per cent to 16.7 per cent.

The largest part of the £5.3m extraordinary item was a cost of £3.4m arising from the defence against T&N's last bid which narrowly failed in September. Mr Colin Hope, managing director of T&N, complained yesterday that "those bid costs require some explanation."

Mr Hope also claime dthat "UK operating profits have actually gone down if you subtract the pension fund holiday and the foreign interests. "He added: "These results are still disappointing they do not reflect a proper return on the significant investments that have been made."

Most observers continue to expect a very clos efinish to the AE bid and some are even speculating on the possibility of stalemate. AE claimed that in the light of Mr Robert Maxwell's announcement that Hollis would not accept the rival offer T&N would not be able to take advantage of deferred tax liabilities because it would not have more than 75 per cent of AE.

AE shares were unchanged at 286p yesterday.

Berisford's sugar deal gain

BY ANDREW GOWERS

S & W Berisford, the commodity trading group, is holding out the prospect of a substantial reduction in net indebtedness and a sharp increase in shareholders' funds as a result of the proposed deal over its British Sugar subsidiary with Ferruzzi, the Italian agricultural conglomerate.

Mr Ephraim Margulies, Berisford chairman, used these arguments yesterday in a letter strongly urging shareholders to back the deal, signed conditionally 10 days ago. Under it Ferruzzi would obtain a 70 per cent stake in British Sugar, the UK beet processing monopoly, for £425m.

However, he emphasised that shareholders would not be asked to vote on the issue until the outcome of a Monopolies Commission investigation of two rival bid approaches to Berisford, by Ferruzzi and by Tate & Lyle, the cane refiner, had been announced. This is not expected before the end of January.

Mr Margulies said that under the deal, Berisford would receive £147m cash in repayment of 70 per cent of an outstanding loan made to British Sugar by Berisgord, and £278m in floating rate debentures for the sale of 70 per cent of British Sugar's capital.

The price being paid for the 70 per cent stake represents a substantial premium over British Sugar's pro forma shareholders' funds, which amounted to £211m at September 29, 1985.

"The arrangements with Ferruzzi will therefore have a double benefit for the Berisford group's balance sheet, firstly in increasing shareholders' funds and secondly in reducing substantially our net indebtedness," the letter poits out.

Berisford, which developed a heavy debt burden during the early 1980s, has recently been streamlining its operations. Earlier this year, it sold its 14.6 per cent stake in Ranks Hovis McDougall, the food group, for £107m, and disposed of its 83 per cent stake in Waring & Gillow, the furniture company; it also securitised its interest in the Billingsgate property development.

Mr Margulies said he was "extremely pleased" with British Sugar's progress under its new managing director, Mr Peter Jacobs, and that it has now put behind it the difficult conditions of the past two years.

The deal with Ferruzzi would give Berisford the opportunity to continue to participate in its "high-quality earnings and future growth."

Cookson's moves in S Africa

Cookson Group, the acquisitive industrial chemicals company, announced yesterday that it plans to inject the bulk of its South African interests into a new company to be owned jointly with Anglo American Corporation of South Africa, the large mining giant.

Under the deal, which will take effect on April 1, 1987, Cookson will acquire a 45 per cent stake in the new, yet-to-be-named company, with Zinchem and Industrial Mineral Resources, an Anglo American subsidiary, holding the remaining 55 per cent. The two parent companies are contributing businesses roughly in proportion to their stakes, although there may be some small cash consideration when the details are finally workel out.

Cookson stressed that deal has been under discussion for over 18 months and is not a reaction to recent escalating tension in South Africa. However, Mr Michael Henderson, group managing director at Cookson added: "This means we can run with the business if sanctions did make things more difficult."

In 1985, Cookson's South African interests made trading profits of around £5m—approximately 5 per cent of total group trading profits—on sales of £26m. Those figures, however, included a contribution from the South African interests of 50 per cent-owned Tioxide Group, and the trading profits of operations involved in the current deal are closer to £3m-£4m.

According to Cookson, the proposed merger will not have a significant effect on the group's net asset base for overall profits.

Once the Cookson and Anglo American interests have been injected, the new company will have sales of some R176m (£55m) and employ 2,000 people.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div	Total for year	Total last year
AE	5.3	Mar 2	3	7.5	5
Arlen ....int	0.5	Mar 28	nil	—	nil
Thomas Borthwick	0.75	Feb 24	0.5	0.75	0.5
Drummond ....int	1.2	Jan 15	1	—	3
Dundee & Lndn. Inv.	3.8	Jan 23	3.4	6	5.4
Chamberlin & Hill int	1.4	Dec 17	1.4	—	3.5
Chelsea Man ....int	‡0.8	Jan 20	—	—	—
Creighton Labs ......int	‡1.2	Jan 20	—	—	—
Lynton Hldgs ....int	3.3	Jan 5	3	—	7.26
Norton Opax ....int	1	Feb 2	—	1	¶3.5
Platon Intnl. ....int	‡1.02	Feb 27	0.93	—	3.08
Polly Peck	5.25	April 3	3.75	6.75	5.25
Stirling Group ......int	†0.85	Feb 20	0.6	—	1.6
VSEL Consortium ...int	2	Jan 16	—	—	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ Final of 3p forecast.

BARHAM GROUP is buying Teacher, Marks and Company, London-based commercial estate agency for a maximum £3.6m. The initial consideration of £2.7m will be satisfied by £1.93m cash and balance in shares with possible extra profit-related payments.

KENYON Securities, funeral and ancillary services group, is buying L. J. Richmond & Sons for £370,000 to be satisfied by the payment of £150,000 cash and 68,750 new Kenyon shares. The purchase is conditional on permission being granted for the new shares to be dealt on the USM. Net tangible assets of Richmond were £85,000.

UK COMPANY NEWS

Borthwick borrowings fall 70% as profits return

Thomas Borthwick, the food manufacturer which has sold several of its overseas and UK subsidiaries in the past year, returned pre-tax profits of £1.35m on its continuing businesses for the year to September 28, 1986 compared with 1985's £8.3m loss.

The group has sold its New Zealand operations. It cut back in retail butchery with the sales of Boucheries Bernard in France and Matthews (Butchers) in the UK, and disposed of the offal and by-products business of Midland Cattle Products.

Mr Lewis Robertson, chairman, said the aim of the restructuring has been to strip out of the group activities whose future was uncertain or unpromising, and to restore an acceptable balance sheet and a reasonable level of borrowings.

Net group borrowings fell during the year by 70 per cent from £56m to £16m; gearing was reduced from 2.3 to 1 to less than 0.7 to 1, he said.

Net borrowings for the group should soon stand below £10m, at about 40 per cent of shareholders' funds.

Of the continuing operations, food products returned better figures, £1.4m (£1.27m) in pre-tax profits, UK meat processing showed a slight decline with a loss of £708,000 (£328,000) and international operations a strong improvement, from a loss of £357,000 to a profit of £2.38m.

The new group is to be renamed Borthwicks plc.

Group turnover was £353.91m, with the divested businesses accounting for £93.85m and the continuing businesses for £260.06m. The total for 1985 was £552.69m.

Tax stood at £410,000 (£1.5m), minority interests took £3,000 (£463,000), and the year's attributable profit came to £3.91m (£2.73m).

Earnings per share were 1.5p (5.3p) before extraordinary items which included net losses on divestments of £1.01m and a pension scheme refund of £4.2m.

The dividend is 0.75p per share, up from 0.5p in 1985. Directors will consider declaring an interim dividend.

● comment

Borthwicks has undergone a change of face, of business, even of name, in an attempt to improve the rating. The financial achievement, in turning round a company, which looked in danger of collapse, has been considerable. But Borthwick is likely to find that conquering one set of problems only creates new ones. The slimming phase is over; now the market will be looking for growth. Prospects for growth in the food products division are steady rather than spectacular; there were sufficient doubts about the Australian operations to induce thoughts of sale not long ago; and meat processing depends on "Product X" which will not be unveiled until the New Year. Some successes must be shown quickly lest the group attract the attentions of a predator. In the meantime, the falling interest charge and some loss elimination should enable pre-tax profits to top £4m this year, putting the shares, at 65p, on a prospective p/e of 10.

Chelsea Man profits leap 75% midway

Chelsea Man, the men's clothing retailer which joined the USM in June, yesterday reported a 75 per cent leap in taxable profits from £300,000 to £524,000 for the six months to September 27, 1986.

Turnover rose 49 per cent to £2.02m (£1.36m) and pre-tax margins showed an improvement from 22 per cent to 26 per cent. Mr Same George, the chairman, said the results were particularly encouraging since they were achieved in a period when other retailers had been affectd by poor spring and summr sales.

"We consider that our results reflect the fact that the niche in the market we have created for our own design, quality merchandise is continuing to develop and still has a long way to go before it reaches its full potential," he said yesterday.

The company has in the past had greater customer acceptance for its autumn/winter range of clothes and, traditionally, performed substantially better in the second half.

Since the end of September, the company had launched its autumn range and current trading indicated that the collection had been exceptionally well received by customers, the chairman stated.

The company is actively continuing its policy of seeking additional retail outlets in the Midlands and the Home Counties.

Operating profits climbed 62 per cent to £484,000, before interest received of £40,000 (£2,000). Earnings per 5p share increased from 1.82p to 3.36p and there is a first interim dividend of 0.8p net.

Tax charge was £181,000 (£126,000) and there were also extraordinary debits of £8,000 (£11,000).

Creighton advances 21%

Creighton Laboratories, producer of natural beauty products which joined the USM in September, raised pre-tax profits by 21 per cent from £122,000 to £172,000 for the six months ended September 30, 1986.

Strong demand from own-label customers as well as for Creighton's own brands accounted for a 30 per cent rise in turnover to £1.97m (£1.52m). Mr Richard Collard, chairman, said that although a significant promotional campaign affected profits, benefits would accrue in the longer term.

The current year was expected to be one of good progress, he added.

Creighton traditionally experiences a busy period during the three months leading up to Christmas and demand is once again buoyant and the soap finishing plant particularly busy.

The chairman said that discussions with the company's major customers concerning the pattern of demand in 1987 suggested that, although total orders were likely to increase, Creighton might see a relatively lower call off in the last quarter of its financial year.

Negotiations with other potential own-label customers were well advanced and might lead to initial orders being placed in the current year.

As forecast at the time of the USM entry, there is an interim dividend of 1.2p net. First-half earnings per share rose from 3.7p to 5.1p, after tax of £85,000 (£91,000).

There was also an extraordinary charge this time of £13,000 for the costs incurred in the move from Barnes to Storrington of the blow-moulding operations. The interim dividend absorbs £44,000.

Zygal returns to profit

TAKING IN continuing operations only, **Zygal Dynamics** turned in a profit of £206,000 for the half year ended September 30, 1986. This compares with a corresponding loss of £77,000 which had risen to £232,000 by the end of that year.

The 1985 half year has been adjusted to exclude the sale of IBM Personal Computers, from which activity the company withdrew in 1985-86. The loss originally reported was £211,000. Zygal is quoted on the USM and supplies computer peripheral equipment.

Mr Con Driscoll, chairman, said prospects for the current year were good and he expected a satisfactory outcome.

Management reorganisation following the withdrawal of the IBM activity led to improved performance throughout the group.

Printer turnover rose 41 per cent, Modular Technology communications products by 81 per cent, and Convergent Technologies multi-user computer systems by 147 per cent.

Overall turnover on continuing operations rose from £1.64m to £2.43m, gross profit from £738,000 to £995,000, and the operating profit was £223,000 (loss £37,000) after maintained operating expenses.

Mr Driscoll said the order backlog remained high with significant orders received recently in each of the operating groups. Steady growth continued in the provision of maintenance services.

Geers Gross freezes some nominee shares

By Martin Dickson

Geers Gross, the advertising agency, said it had obtained a High Court order freezing some 16 per cent of its share capital held in various nominee accounts, following a refusal by the nominees to name the beneficial owners of the shares.

The effect of the move is to prevent the sale of the shares, and to strip them of voting powers or the right to dividends. The company said the nominee stakes had been building up for more than a year.

The move comes at a time of management upheaval at the group. It was announced earlier this month that Mr Bob Geers, the retired co-founder, was returning as creative director. Mr David Knight, appointed chief executive in June, was leaving the company and his post filled by Mr Steve Wolloshin, brought in as chairman of the London agency during the summer.

Meanwhile, Imperial Holdings, an Australian investment holding company, revealed this month that it had acquired a 5.42 per cent stake in the group.

Eurocom, a French advertising holding company, has a stake of nearly 20 per cent in Geers Gross, but under an agreement reached last year it cannot increase this to above 20 per cent without the company's approval.

ESTATES & AGENCY Holdings, property investment company: Pre-tax profit £333,000 (restated £115,000) for half year to June 30 1986. Gross rental income £874,000 (£716,000). Earnings 4.3p (1.88p adjusted). Company is a subsidiary of Rosedimond Holdings.

Stirling lifts profits 51%

INCLUDING THE Forster Group, acquired in January, the **Stirling Group** lifted its turnover and prex-tax profit by 51 per cent in the half year ended September 30 1986.

Turnover was up from £12.39m to £18.72m and the profit from £1.08m to £1.62m. Earnings came to 5.75p (4.42p) and the interim dividend is lifted 42 per cent to 0.85p net, in line with the stated intention to reduce the high dividend cover.

Mr Peter Bentwood, joint managing director, said yesterday that following the acquisition of Forster the group consolidated its experience in supplying Marks & Spencer. It now provided M & S with a wide range of casual wear, ladies outerwear, lingerie and swimwear.

"By improving flexibility and productivity and the close monitoring of our costs we have maintained our margins," he said.

Platon rises to £0.4m

Platon International, USM-quoted maker of pressure measuring and controlling equipment, lifted pre-tax profits by 61 per cent from £256,300 to £413,400 in the half year to October 3 1986 on turnover 76 per cent higher at £5.02m, against £2.85m.

With the major profits contribution historically occurring in the second half, the board viewed the future with optimism.

The company also announced yesterday the acquisition by Platon K & N of a 51 per cent holding in New Technology Systems (NTS) for £104,000 in cash. NTS, based in Maidenhead, was originally formed to act as a distributor of British Telecom's Gold electronic mail services.

First-half earnings per share rose from 4.16p to 7.58p and there is an interim dividend of 1.02p (0.93p) net.

Lynton shows 33% lift

Lynton Holdings, the property investment and development group, lifted its pre-tax profit from £929,000 to £1.24m, or by 33 per cent in the half year ended September 30 1986.

Income from investment properties rose to £1.97m (£1.86m) reflecting the continual upgrading of the investment portfolio and despite the sale of some high yielding industrial buildings. Trading profits improved to £86,000 (£3,000) and profit on the sale of the retail development at Carlton will come in at the year end.

Profit available for the period came to £915,000 (£610,000), giving earnings of 6.87p (4.94p) per share. The interim dividend is lifted to 3.3p (3p) net at a cost of £439,000 (£371,000).

Mr Maurice Lambert, the chairman, said the group had considerably increased its level of activity and broadened its range of developments. It continued to pursue opportunities in the retail sector and the joint venture shopping centre at Skegness was indicative of the intention to become more actively involved in direct development.

Hille Ergonom

Hille Ergonom, the USM-quoted designer and supplier of office systems, seating and executive furniture, reported a pre-tax profit of £476,000 (£420,000) for the six months to September 30, 1986. The figure was arrived at after charging an exceptional debit of £50,000 in respect of a termination payment to a director of a subsidiary.

Turnover for the period amounted to £6.38m (£4.53m). Trading profit was £593,000 (£430,000), interest took £17,000 (£10,000) and tax was £166,000 (£101,000). Stated earnings per 10p share were 2.94p (3.19p). An interim of 0.7p (nil) has been declared.

Brit. Empire

THE SALE of its stake in one investment trust and the buying of another boosted net asset value of British Empire Securities and General Trust to 40.41p at September 30 1986, against 29.29p a year earlier.

During the period the trust sold its 9.1 per cent stake in Scottish Investment Trust realising a profit of £4.5m after expenses. It also acquired the Ashdown Investment Trust.

Directors said they were proposing a substantial increase in the final dividend from 0.3p to 0.4p on increased capital, giving a total of 0.6p (0.5p), to comply with legal requirements.

Net revenue came out at £1.71m (£341,000)

UK COMPANY NEWS

Increased work volume boosts VSEL to £7.02m

VSEL Consortium, the largest warship builder in the UK and Britain's only submarine builder, yesterday revealed that its profits for the half year to September had totalled £7.02m pre-tax.

The results were the company's first since it came to market in July. It was formed to mount an employee-led buy-out of the Vickers shipbuilding yard at Barrow-on-Furness and the Cammell Laird yard at Birkenhead. The yards were due to be privatised by the end of March.

Sir David Nicolson, a former chairman of British Airways and BTR and now chairman of VSEL, said he considered the results showed generally satisfactory progress.

He said the improvement arose from an increased volume of work which led to a better recovery of overheads. The company's cash position and interest costs during the period were better than budgeted.

Shareholders are to receive an interim dividend of 2p net per £1 share. The shares were offered for sale at 100p each. Yesterday they rose 20p to 180p, although most of the rise stemmed from unconfirmed reports that Saudi Arabia had approached the company with an order for submarines valued at £1bn.

As already known VSEL entered into a leasing arrangement in October for some £50m of assets forming part of the new warship construction facility at Barrow, now known as Devonshire Dock Hall.

Dr Rodney Leach, the company's chief executive, said yesterday that this would have a beneficial effect on cash flow and would reduce interest costs over the next 10 years by about £15m.

He added that VSEL had completed the contract for the prototype of a pressurised water reactor that would power the next generation of British nuclear powered submarines.

The contract was completed on time and below its target cost which earned the company a bonus payment currently estimated at £500,000.

Presently, VSEL has outstanding work worth £1bn. Most of this is for the Ministry of Defence and includes the main construction contract for the first of the projected four Trident submarines. Contract discussions for the second submarine have commenced.

Today sees the launch of the company's new Type 2400 diesel electric submarine, to be named HMS Upholder.

In the buy-out, the biggest in the UK to date, 82 per cent of the employees bought shares in the company. Most bought blocks of 500, using interest-free loans, and were given another 150 shares free.

See Lex

All-round growth lifts Drummond by 30%

In spite of major reorganisation and poor spring and summer weather affecting high street clothing sales, pre-tax profits of Drummond Group, manufacturer of worsted suitings formerly known as Stroud Riley Drummond, expanded by 30 per cent from £574,000 to £748,000 for the half year ended September 30 1986.

The result was from a 27 per cent advance in turnover to £12.86m from which operating profits of £957,000 (£819,000) were obtained. Pre-tax figure was after lower interest payable of £209,000 (£245,000).

Mr Stefan Simmonds, chairman, pointed out that the results were particularly satisfying also in view of the current disruption caused by the building of the group's new on-site finishing plant.

"There is no doubt that the poor spring and summer weather affected high street clothing sales, particularly retailer confidence in placing forward commitments. However, our current order book is ahead of the same period last year and I am confident of another useful increase in profits for the full financial year." the chairman stated.

All divisions performed well during the six months and Mr Simmonds said that in view of the continuing improvement, the directors are lifting the interim dividend by 20 per cent to 1.2p (1p)—last year's final payment was 2p.

After tax of £88,000, against £93,000, earnings are shown as 8.66p (6.72p) net and 7.87p (7.19p) on a nil basis.

Mr Simmonds stated that the group's major capital investment in its finishing plant was proceeding on schedule and should be fully commissioned by next March. He added that while it would not contribute to the current year's profits, "I anticipate significant benefits in years to come."

Arlen sharply higher at £0.5m

Arlen, the electrical and electronic manufacturer, achieved the substantial profits increase it was looking for in the half year ended September 30 and is returning to the dividend list after an absence of five years.

At the pre-tax level, profits surged from £2,200 to £501,600 from a turnover 48 per cent ahead at £5m. The interim dividend is 0.5p net per 20p share.

Along with the announcement the company said it had agreed to acquire Scandinavian Decor, a maker of quality lighting products, for a total 585,000 shares.

Mr Leslie Hancock, chairman and chief executive, said yesterday that the interim results confirmed the profit increase to which he looked forward in his statement for the 1985-86 year.

He said the company's performance continued to show all-round improvement.

The electrical companies experienced strong underlying demand during what is normally a quiet trading period reflecting the success of a more aggressive marketing policy.

The introduction of new products also played a part in boosting electrical sales during the summer. Attention is being given to extending the product range of the Columbia companies which should show benefits in expanding the business.

As a result, group sales and profits should be spread more evenly between the first and second halves of the financial year.

The directors expect pre-tax profits for the second half of the current year to be not less than those for the first six months.

The acquisition will complement Arlen's increasing development and manufacturing activities in the quality lighting area.

● comment

Arlen's return to the dividend list marks the completion of its rehabilitation, and those who bought its penny shares two years ago have every reason to be feeling well pleased with the 102p share price now. On the electricals side, sales have gone up by 20 per cent against a sluggish market background and higher margins are coming through from new products such as infra-red intruder alarms and low-voltage display lighting. On the acquisitions front, Columbia is already providing 50 per cent of group profits and Scandinavian Decor looks an attractive move into domestic lighting. Recovery is one thing and sustained expansion another, so shareholders are right to ask whether Arlen's prospective p/e of 10 is going to be justified beyond this year's likely out-turn of £1.2m, but the combination of organic growth and the acquisitions policy suggests that it is.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Argyll Group, Ackins Brothers (Hosiery), Blyvooruitzicht Gold Mining, C. H. Industrials, Cape Industries, Country and New Town Properties, DBE Technology, Durban Roodepoort Deep, Evans of Leeds, FKI Electricals, Illingworth Morris, Jarvis Porter, London Investment Trust, John Michael Design, Monks and Crane, Premier Consolidated Oilfields, United Leasing.

Finals:—Anglia Secure Homes, BOC, Beatrix Mines, East Rand Proprietary Mines, Grotvlei Proprietary Mines, Harvard Securities, Marievale Consolidated Mines, St Helena Gold Mines, West Rand Consolidated Mines.

FUTURE DATES

Interims:—	
AAH	Dec 3
Beaverco	Dec 8
Booth Industries	Dec 10
Dominion International	Dec 22
Hicking-Pentecost	Dec 12
Hunter Saphir	Dec 4
Jurys Hotel	Dec 17
Nottingham Brick	Dec 11
Whitecroft	Dec 9
Finals:—	
Crystalate	Dec 10
Dobson Park Industries	Dec 8
Granada	Dec 9
Pict Petroleum	Dec 5
Tate and Lyle	Dec 3
Williams (John) of Cardiff	Dec 11

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Baillie Gifford & Co Ltd
3 Glenfinlas St, Edinburgh 031-226 6066

Int'l Ex November 19	471.4	491.9	—	0.66
Japan Ex Nov 26	420.7	438.6	—	0.21
UK Ex November 16	235.9	251.0	—	1.34
Person'l Int'l Dec 15	541.6	570.1	—	—
Personal UK Dec 15	231.5	243.7	—	—
BG Japan (z)	196.5	209.1	+4.3	0.00
BG America (z)	169.6	180.5	+0.7	0.00
BG Technology (z)	155.6	165.6	+0.5	0.00
BG Energy (z)	156.6	166.7xd	−1.7	2.03
BG Income Growth	199.4	212.2xd	+1.3	5.40
BG Europe (z)	120.2	127.9xd	+1.1	0.72
BG Conv & General	52.8	56.2	+0.1	7.11

*Unauthorised

15 St James' Place, London SW1A 1NW 01-493 8111

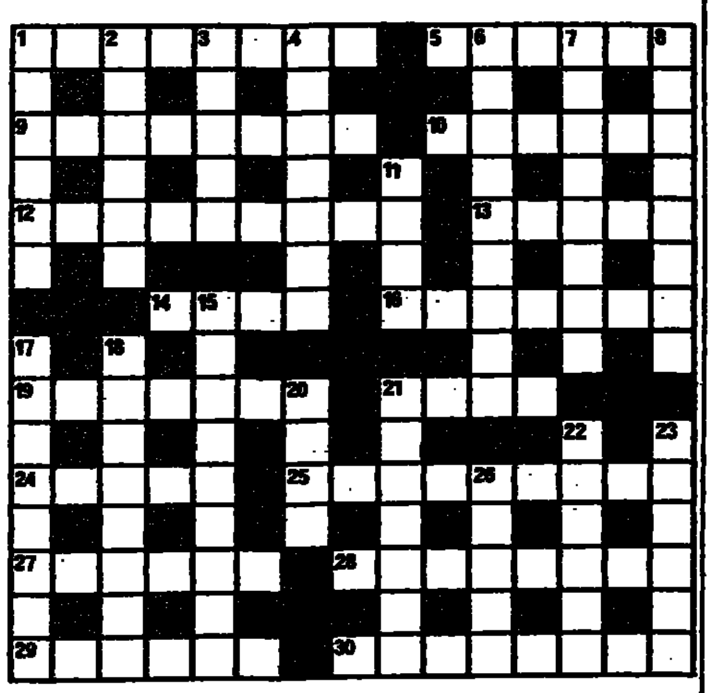
Progressive Inc	1220.0	1305.0	+40.0	0.60
Progressive Acc	1682.0	1799.0	+56.0	0.60
International Inc	1362.0	1457.0	—	1.08
International Acc	1670.0	1787.0	—	1.08
Beckman	214.0	222.5	—	—
Can & Foreign Inc	158.1	167.1xd	—	1.24
Can & Foreign Acc	169.2	178.8xd	—	1.24

Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital Fd	138.0	143.1	—	1.07
Brewin Dividend Fd	71.8	74.5	—	7.00
Brewin Int Gth Inc Fd	159.7	165.5	—	3.98

FT CROSSWORD PUZZLE 6,192

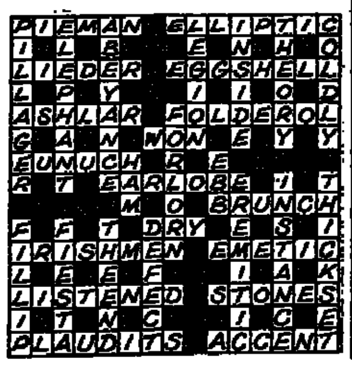
PROTEUS



ACROSS
1 One vehicle backing up to another at game (8)
5 One who detects origins of bullet (6)
9 Bivalves served with sliced potatoes in batter down under (8)
10 Instrument fixed with internal fastener (6)
12 Insect taken by bird and fish (9)
13 Some more-emancipated Mohammedan ruler making come-back (5)
14 Drawback of guardianship (4)
16 Model justification for crime (7)
19 He slips up in talking initially to murderer (7)
21 Further selection of general sort (4)
24 Tree given by the French to Lincoln (5)
25 Punished over sites in African state (9)
27 Policeman stripping off (6)
28 Vie with novice in finish (8)
29 Trick duel arranged behind journalist's back (6)
30 Determine once more to put soldier on bench (8)

DOWN
1 Cut second part out (6)
2 Opportunity to make fortune (6)
3 Poor lad about to turn to psychologist (5)
4 Praise for a very gentle priest (7)
6 Watches that relay information (9)
7 Communication or the opposite (8)
8 Putting on fresh attire for going to bed (8)
11 Bird-talk (4)
15 Gather arrest is possible (9)
17 Beaten for being short of money (8)
18 Team with genuine following—something to do with the stars? (8)
20 Sway to music (4)
21 A hit poem in the present fashion (7)
22 When money is going up (6)
23 Read wrongly about high-explosive stick (6)
26 White peers providing home for Indians (5)

Solution to Puzzle No. 6,191



INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	94.7	99.7	+0.2	—
American Acc	99.6	104.9	−0.4	—
Deposit Acc	99.5	104.8		—
European Acc	110.8	116.6	+0.3	—
Far Eastern Acc	111.2	117.0	+0.9	—
Fixed Interest Acc	82.5	86.9	—	—
International Acc	108.1	113.7	—	—
Property Acc	116.9	123.1	−0.1	—
UK Equity Acc	92.7	97.6	+0.3	—
Alpha Range—Pensions				
Managed Acc	97.1	102.2	+0.2	—
Premier Range				
Managed Acc—Life	105.1	110.6	+2.4	—
Managed Acc—Pensions	106.1	111.7	+2.2	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	253.13	266.45	+1.3	—
Managed Income	120.95	127.32	+0.83	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	354.0	372.7	−0.1	—
Managed Accum.	300.2	316.1		—
Equity Accum	436.1	459.1	−0.2	—
Property Accum	206.8	217.7	—	—
International Accum	274.9	287.1	—	—
Gilt-edged Accum	193.1	203.3	−1.9	—
Money Accum	176.2	185.5	—	—
American Accum	180.5	190.0	+0.4	—
Australia Accum	160.5	169.0	+0.5	—
Financial Accum	203.3	214.1	−0.1	—
"500" Accum	219.2	230.6	−0.3	—
European Growth Accum	148.0	155.8	+1.5	—
Income Accum	242.0	254.8	−0.6	—
Japan & Gen Accum	317.6	334.4	+1.7	—
Leisure Accum	149.4	157.3	−0.5	—
Spec Sits Fd Accum	122.0	128.5	−0.2	—
Universal Tec Accum	110.1	115.9	+0.3	—
Managed Pns Accum	399.7	420.8	−1.2	—
Equity Pns Accum	145.6	153.3	−0.6	—
Intnl Pns Accum	153.9	162.0	+1.0	—
Gilt-edged Pns Accum	275.5	290.0	−2.8	—
Money Pns Accum	255.9	269.4	—	—
Property Pns Accum	107.2	112.9	—	—

For prices of Initial Units phone 01-534 5544.

Black Horse Life Ass. Co Ltd
346a High St, Chatham 0634 405161

Black Horse Man. Fd		362.58	+3.92	—
Income Fd	331.99	349.47	+4.42	—
Extra Income Fd	316.43	333.09	+4.71	—

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Nov 26	253.0		266.5	—	—
Fixed Int(A&B) Nov 26	162.0		171.0	—	—
Man Grwth(A&B) Nov 26	526.5		554.5	—	—
Money Fd (A&B) Nov 26	142.5		150.0	—	—
Cap Fd(A&B) Nov 15		400.0		—	—
G.A.S. SpecFd(A&B)Nov 15		346.0		—	—
FarEastEqty(A&B)Nov 20	181.0		191.0	—	—
N.Amer.Eqty(A&B)Nov 26	106.5		112.5	—	—
IntTechnlgy(A&B)Nov 26	155.0		163.5	—	—
Property (A&B) Nov 26	195.5		206.0	—	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	143.1	150.9	—	—
American Equity	122.5	129.2	—	—
Far East Equity	162.3	171.2	—	—
Managed Fund Acc	569.0	589.0	—	—
International Equity	189.3	199.7	—	—
Gilt Edged	179.5	189.3	—	—
Money Fund	144.5	152.4	—	—
CCL Henderson	160.1	168.9	—	—
CCL Perpetual	201.0	212.0	—	—
CCL Property	226.1	238.5	—	—
Smaller Cos.	250.3	264.0	—	—
Perpetual Eurogrowth	118.1	124.5	—	—
CCL Hend'son Prime Res.	97.6	102.9	—	—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 68281

Ultimate Mngd Fund	172.4	181.5	—	—
Criterion Mngd Fund	165.6	174.3	—	—
Pension Mngd Cap	52.0	54.7	—	—
Pension Mngd Acc	61.3	64.6	—	—
Pension G'nteed Dep Ac	34.6	36.4	—	—

For closed Fund unit prices ring 0730 68281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	101.7	107.0	+0.4	—
Equity Acc	378.7	398.6	+3.2	—
European Acc	188.0	197.8	+0.4	—
Fixed Interest Acc	210.1	221.1	+1.5	—
High Income Acc	358.6	377.4	+3.1	—
Indxd. Acc	346.3	364.5	+2.9	—
Inv. Trust Acc	408.0	429.4	+0.9	—
Japanese Acc	163.8	172.4	+2.7	—
Managed Acc	313.5	330.0	+2.2	—
Money Acc	179.5	188.9	+0.1	—
Property Acc	186.5	196.3	+0.1	—

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INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$16.74		...	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765

Japan Meta Growth	$10.02		...	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$14.48		...	—
Dynamic Gwth Fd.	$19.05		...	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.20	12.89	...	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fedn Money Mngmt Co Ltd — Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.76	8.04	11.82	3-mth
CAFCASH 7-day Fund	10.26	7.69	11.29	3-mth
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.60 (11.03CAR)			3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.81	8.08	11.83	6mth
7-day Fnd	10.61	7.93	11.59	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.38	7.76	11.14	6-Mth
7-day Fund	10.16	7.61	10.92	6-Mth
Dollar	4.94	3.69	5.27	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	10.25	7.50	10.86	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	10.25	7.66	11.10	Qtr
MthlyIntChq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd — 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc.	11.00	8.22	12.09	Mth

Bank of Scotland

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES and AGRICULTURE

Oil companies lose Brent market control to Wall St

BY LUCY KELLAWAY

CONTROL OF the Brent market has passed from the major oil companies which produce oil in the North Sea to the big Wall Street trading firms, which have no involvement in the industry, according to recent figures from Petroleum Argus, the oil industry newsletter.

In October, more than 80 per cent of the 322 Brent trades reported by Petroleum Argus were done by five US firms: J. Aron, Bear Stearns, Drexel Burnham Lambert, Louis Dreyfus and Morgan Stanley.

The involvement of the US traders has risen from almost nothing a year ago to October's peak of 270 cargoes traded. For most of 1985 their presence was negligible—in the first quarter of this year, it accounted for under 10 per cent of total volume. But it rose to almost 50 per cent in the three months to October.

Morgan Stanley, J. Aron and Drexel Burnham confirmed yesterday that they are building up their oil trading departments. An official from J. Aron said that the company had gone into the market seeing that there was an opportunity "for a different kind of trading expertise from the skills that the majors have." He said that over the next few months J. Aron would continue to expand its oil trading operations, branching out into a wider variety of crudes.

The sudden increase in the participation of US firms has occurred despite a dampening of activity by the traditional players in the wake of the collapse in the market earlier this year. While the new players have brought liquidity to the market in a time when trading volumes have declined steeply, their presence is a source of concern to some of the traditional players, who seem to resent the implied loss of control.

A trader at a major oil company said yesterday that the Wall Street houses may have amplified recent price swings. He said that while it was in an oil company's interest to have as stable a market as possible, the US traders stood to benefit from very volatile market conditions.

Another trader commented, however, that the Wall Street houses may have been a stabilising influence on the market. He said that their strategy was to run a fully hedged position, trading off one month against another, or one type of crude oil against another. He said that the big US trading firms were prepared to enter into a fully hedged deal, dealing in large quantities, and happy to make a turn of only 2 to 3 cents a barrel on the trade.

Much of the recent activity by the Wall Street traders has been taking advantage of the discount attached to cargoes in future months compared with the spot month. Some US firms are believed to have taken delivery of large quantities of oil which they have placed in storage in Rotterdam, and matched with short positions in the forward months.

There is some concern in the market about what could happen if prices revert to the more usual pattern, whereby forward months sell at a premium to near months. Some traders fear that if such a reversal led the US firms to unwind their positions a widespread sale of spot cargoes could disrupt the market severely.

Falklands fish plan emerging

BY TIM DICKSON IN BRUSSELS

DETAILS ARE emerging about Britain's plans for the new 150-mile fishing zone round the Falklands.

Negotiations are due to begin shortly with interested parties over licences for the 1987 season, which runs from February to October. The idea is that these will be allocated on an *ad hoc* basis for the moment but that after next year they will be the subject of formal long term agreements with the relevant countries or companies.

Britain's decision unilaterally to declare a 150 mile zone at the end of October provoked a strong reaction from Argentina, which claimed that the move was a deliberate attack on Argentine sovereignty. The UK insists, on the other hand, that the measure was a response to what it believes has been serious overfishing in the area since 1983 and the repeated refusal of the Government in Buenos Aires to participate in multilateral negotiations on voluntary restraint.

The row also put the European Commission in a potentially embarrassing spot. Under Britain's 1973 Accession Treaty the Falkland Islands is clearly defined as an Overseas Territory with the UK thus responsible for the management of their fisheries — but the Commission is directly involved in its role of negotiating access to these waters on behalf of all EEC member states.

There had been suggestions that Spain — a traditional ally of Argentina which does not recognise British sovereignty of the Falklands — might try to put pressure on the Commission not to co-operate in this matter. Significantly, however, the Commission announced in a little noticed statement last week that it was poised to enter "exploratory discussions" with the British authorities on the question of fishing rights round the Falklands. Officials indicated that there had been no objections to the move from Spanish commissioners.

The main interest in the area has so far apparently been expressed by Italy, Holland and Spain among EEC member states, although observers say British vessels could also be attracted by the prospect of a more stable conservation management regime. Applications for licences have to be lodged with the Falklands Islands office in London and Britain says it is keen to finalise arrangements by the middle of this month.

The exploratory talks with the Commission are likely to centre on the number of permits to be allocated and the terms on which they will be available. It is felt in Brussels that the Commission's readiness to enter such negotiations will not only please Britain but ensure that the Community's fishermen have a head start in efforts to secure a good deal.

At the moment there are around 700 boats in the Falklands waters, of which nearly 10 per cent are of EEC origin (the vast majority of these being Spanish).

North American pulp prices to rise further

By Robert Gibbens in Montreal

NORTH AMERICAN pulp producers are to raise their posted prices again early next year.

Several leading Canadian and US producers have indicated that the price of standard bleached kraft softwood pulp will rise to US$5,500 a tonne in January from $520 set on October 1, bringing it back to the peak touched briefly in 1981.

Producers explain the move by citing a fall in pulp stocks at North American and Canadian mills to 900,000 tonnes from 1.6m a year ago, together with currency factors and strong demand in North America, Europe and Asia.

Tea prices down again

BY ANDREW GOWERS

TEA PRICES fell at the London auction yesterday for the third week in succession amid a significant weakening of demand.

Until last month, auction prices were looking more buoyant than they had since 1984 as the market adjusted to a sharp fall in world tea production this year—largely a result of dry growing conditions in North India. Prices have risen steadily from the lows since the beginning of the year, apart from in April and May, when they suffered a temporary setback.

But in the last three weeks, much of the buying interest has evaporated. The all-tea average fell last week to 137.68p per kg from a peak of 148p two weeks previously, and is certain to show a further decrease this week, with prices for all three quoted grades of tea marked down by between 4p and 5p.

Brokers said they were perplexed by the recent change of sentiment. However, tea buyers are apparently quite well stocked at present and see little need to buy at auction.

According to one explanation advanced yesterday, buyers reacted to the anticipated fall in output earlier this year by making larger - than - normal direct purchases from merchants in India, the largest producing country, and to some extent in Africa.

For the moment at least, brokers are putting a brave face on the setback. "We like to think it's short term," said one.

According to the latest figures from the International Tea Committee, output in the first nine months of 1986 was more than 8 per cent below its level in the same period of last year.

Report says dollar fall may not lift metals

By Stefan Wagstyl

THE FALL in the value of the US dollar in 1985-86 will not necessarily boost dollar industrial commodity prices the Economist Intelligence Unit warns in a report.

This is because the dollar has not fallen in real terms against the currencies of many major mining countries. Producers in those countries have not been spurred to reduce supply by falling real returns in local currencies, says the EIU.

Taking Chile as an example, the report says that when the dollar rose in 1980-85, the Chilean peso depreciated against it by 50 per cent in real terms and the country's copper mines were encouraged to increase output by 27 per cent. However, between March 1985 and June 1986 when the dollar's international value fell by 24 per cent, domestic inflation pushed the peso down by 4.5 per cent against the dollar.

The report forecasts that in 1987, non-ferrous metal consumption will grow more slowly than industrial production. Against the background of a forecast 2.6 per cent increase in OECD countries' industrial output, primary aluminium consumption is expected to rise by 2 per cent with other metals lagging behind that figure.

In some metal markets, prices will be supported by a deficit of supply compared with demand. The report forecasts a 20 per cent increase in the average price for 1987 for zinc in US dollars compared with the expected 1986 average. It predicts a modest 4 per cent increase in dollar aluminium prices to an average of 54 cents a pound. But for copper the EIU expects to see prices stay around 1986's level of 62-63 cents a pound.

World Commodity Outlook 1987, The Economist Publications Limited, 40 Duke Street, London W1A 1DW. Price £75.

Indonesian tin output 'below target'

INDONESIA'S production of tin concentrate is expected to rise to 25,000 tonnes in 1986 from 22,413 last year, reports Reuter from Jakarta. But that would be about 2,000 tonnes short of the Government's target.

The state mining company, PT Tambang Timah, expects a 5,000 tonne rise in output this year with the end of export controls by the International Tin Council. Officials said the move is aimed at maintaining a healthy cashflow.

But actual output by Timah and foreign mining firms is uncertain, given weak world prices, the US embassy said in its annual Minerals Report on Indonesia.

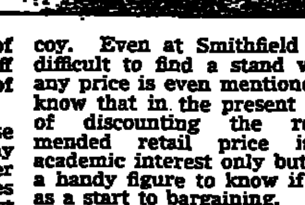
LONDON METAL EXCHANGE WAREHOUSE STOCKS

(Changes during week ending last Friday)

	(tonnes)
Aluminium	−4,525 to 110,525
Copper	−1,250 to 176,375
Lead	−175 to 27,950
Nickel	+132 to 6,882
Tin	−725 to 40,975
Zinc	−325 to 20,450
	(ounces)
Silver	−744,000 to 23,618,000

Farmers learn to make do and mend

FARMER'S VIEWPOINT



By John Cherrington

WHEN I visited the Royal Smithfield Show on Sunday I was impressed by the number of machinery manufacturers who asked me if I thought the better harvest in some sectors and the increase in UK farm income since 1985 would induce farmers to invest in more machinery over the coming year. I sense a certain desperation behind this questioning, which was in some contrast to the rather sanguine remarks of the Agricultural Engineers Association's president Mr Jeremy Colectough, who looked forward to a buoyant export trade, helped by the weakness of sterling. Exports are also being helped by the gradual concentration of tractor manufacture in the UK.

My own view is that the harvest, although good in parts, was nothing like good enough overall to make farmers rush to the show with cheque books at the ready. Livestock farmers have not had too good a time, and there is great apprehension at the prospects of further cuts in milk quotas, price reductions and the possibility of acreage limitations as well. Sir Michael Franklin, permanent secretary at the Ministry of Agriculture, reinforced this sentiment last week when he estimated that one third of all farm income was needed to service the existing load of debt.

In these circumstances I cannot see any farmer in his senses incurring more debt, unless he finds it necessary, really necessary, to do so. The industry is really very well tooled up thanks to good years in the past and the availability until the 1985-86 tax year, of allowances which enabled purchases of machinery to be written off against tax in the year of purchase.

I took advantage of these allowances to keep my machinery up to date in order to face whatever difficulties might arise in later years. Most farmers did the same. The alternative would have been to have kept on with the older machines and relied on keeping them in repair and fitting new parts. Most modern farm machinery is well made and there is no reason why it should not last a great deal longer than some farmers have been in the habit of making it do.

It is this latter course that I am adopting now, but as it happens I am faced with having to buy a new tractor. My existing machine is still working but the nearest agent from whom to get spares and service is 40 miles away and it was not too successful a design in the first place.

So I have set a limit of 10 miles distance from my farm for the dealer and found that there are only two makes available within that area, one British and one imported. All things being equal I would buy British on the grounds that spares would always be available. The main deciding factor would be price. But here I find that dealers can be remarkably coy. Even at Smithfield it is difficult to find a stand where any price is even mentioned. I know that in the present spate of discounting the recommended retail price is of academic interest only but it is a handy figure to know if only as a start to bargaining.

The first thing to do is to find out if the tractor is up to the job. So you have it sent to the farm to see how well it works. I heard of a farmer the other day who managed to finish his harvest with a selection of combine harvesters which competing dealers had been sending him to try. In the end he bought none of them and hopes to repeat the exercise next year.

Then we have to determine the price to be paid. Most tractors of similar specifications have roughly the same price on paper. Agents selling the most expensive are usually able to quote the biggest discounts. But in many deals there is an element of part exchange. In determining this stage of the proceedings the locality of the seller does not matter as long as the local depot of the same make is within my mileage limit.

Local dealers do not like this principle. I suffered from it myself when I had a dealership which I sold many years ago. I found out a lot about the principles of farm trading from that experience.

The crucial question after the choice has been made is how to pay for it. Here the manufacturers are well aware of the effects of the withdrawal of the tax allowances and all have leasing schemes which, on the face of it, charge interest rates of between 2 and 4 per cent. The benefit of leasing is that the payments are treated as costs against revenue not as capital expenditure.

At first sight this arrangement looks remarkably generous but how can anyone charge these low rates when bank base rate is 11 per cent. It makes me think that manufacturers and dealers must be getting it out of the price and that for a cash sale there must be scope for further discount. Would it be cheaper for me to spend a few weeks more haggling and then funding the cost myself or simply buy the spare parts and employ my labour through the winter rebuilding the older tractor?

Many farmers I chatted with at the show seemed to have the same thought. They were still generosity of the leasing schemes would turn out to be real in the present climate and were determined to make their machinery last.

As a footnote to the above, 50 years ago my wheat was threshed out by a machine built in 1890 driven by a tractor of 1919 vintage and cut with a binder made at the turn of the century. It all worked well and I sold all the equipment at a profit when I re-tooled at the start of the last war.

LONDON MARKETS

THE DOLLAR'S weakness pushed gold prices up again yesterday. In the morning the London bullion price was $10 higher at one stage but, having failed to break decisively through the psychological $400 barrier, it fell back to end $2.50 up on the day at $391.75 a troy ounce. Coffee futures continued their recent slide with the March contract, the new second position, ending the day £30.50 down at £1,852 a tonne. The free availability of physical coffee which depressed the expiring November position towards the end of last week, continued to influence the market. Cocoa's gradual price decline stepped up a gear meanwhile, with the March position adding £23 to last week's £28.50 fall. Sterling's firmness against the dollar played a part in the fall, as did talk of heavy Ivory Coast sales in the near future. Yesterday's fall took the price still closer to the level at which the International Cocoa Agreement buffer stock manager will be allowed to start support buying when the pact comes into force in the new year.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Official closing (am): Cash 778-8.5 (778.5-9), three months 794-4.5 (795.5-6), settlement 778.5 (779). Final kerb close: 782.5-3. Turnover: 20,225 tonnes.

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	775-6	−0.75	778/777
3 months	792.5-3	−1	795.5/785

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	924-5	+1	927/927.5
3 months	948.5-9	+1	954/947

Official closing (am): Cash 926.5-7 (920.5-1), three months 950-0.5 (944.5-5), settlement 927 (921). Final kerb close: 948-9.

Standard			
Cash	900-1	−0.5	902/901
3 months	929-30	+0.5	925/929

Official closing (am): Cash 902-2.5 (897-8), three months 931-2 (924-5), settlement 902.5 (898). US producer prices 62-65 cents per pound. Total turnover: 37,950 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	342-4	+2	344/348
3 months	319-9.5	—	320/318

Official closing (am): Cash 342-3 (340-40.5), three months 319.5-20 (319-9.5), settlement 343 (340.5). Final kerb close: 319-20. Turnover: 11,025 tonnes. US spot: 24-29 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2535-40	−14	—
3 months	2580-2	−12.5	2590/2568

Official closing (am): Cash 2540-2 (2555-8), three months 2582-4) (2595-6), settlement 2542 (2568). Final kerb close: 2580-90. Turnover: 492 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 16.50 (16.35) ringgit per kg. Up 0.25 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	529-30	−75	534/534
3 months	526.5-7	−4.75	531/525

Official closing (am): Cash 533.5-4 (541-1.5), three month 528-9.5 (536.5-7), settlement 534 (541.5). Final kerb close: 525.5-6. Turnover: 9,375 tonnes. US Prime Western: 44-50.5 cents per pound.

GOLD

Gold rose $2½ to $391½-392 on the London bullion market. Trading was volatile, with New York traders taking the opportunity to sell and take profits, after Europe had pushed the metal up sharply. Dealers were somewhat sceptical about the weakness of the dollar as a major factor, but could identify no other reason for the sharp movements. Gold opened at $395½-396 and was fixed at $399.60 on the morning and $395.55 in the afternoon. The metal touched a peak of $401-401¼, and a low of $390½-391.

GOLD BULLION (fine ounce) Nov. 28		
Close	$391½-392	(£272½-273)
Opening	$395½-396	(£275½-276)
M'n'g fix	$399.60	(£278.622)
Aft'n'n fix	$395.55	(£275.491)

GOLD AND PLATINUM COINS		
Am Eagle	$480-510	(£320-354¾)
Mapleleaf	$402½-407	(£280-283)
Kr'g'r'nd	$397-400	(£276-278¼)
½ Krug	$190½-200	(£132½-139)
¼ Krug	$95¼-102¾	(£66¼-71¼)
Angel	$404-407	(£281-283)
1/10 Angel	$41-46	(£28½-32)
New Sov.	$93-96	(£64¾-66¾)
Old Sov.	$94-95½	(£65½-66½)
$20 Eagle	$407-412	(£283-286½)
Noble Plat	$517-527	(£359½-366½)

SILVER

Silver was fixed 8.25p an ounce higher for spot delivery in the London bullion market yesterday at 383.2p. US cent equivalents of the fixing levels were: spot 549.5c, up 11.25c; three-month 557.55c, up 11.6c; six-month 565.2c, up 11.45c; and 12-month 582c, up 11.85c. The metal opened at 378-379½p (543-545c) and closed at 379½-378p (541-543c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	383.20p	+8.25	378p	+4.5
3 months	393.65p	+8.70	389p	+5.5
6 months	404.45p	+8.95	—	—
12 months	425.15p	+8.75	—	—

LME—Turnover: 15 (49) lots of 10,000 oz.

Three months high/low 391p, final kerb 389-91p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Dec.	131.8-138.0	−3.50	—
Feb.	132.5-133.0	+0.15	132.5
April	—	—	132.5
June	128.2-130.0	+0.25	—
August	128.0-128.5	+0.18	—
October	128.0-130.0	−0.50	129.5
Dec.	131.0-133.5	—	—

Sales: 72 (0) lots of 20 tonnes.

INDICES

REUTERS

Dec. 1	Nov. 28	M'th ago	Year ago
1609.2	1617.1	1601.1	1705.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 28	Nov. 26	M'th ago	Year ago
Spot	119.58	119.36	—	120.62
Fut	119.41	117.94	—	122.54

(Base: December 31 1931=100)

MAIN PRICE CHANGES

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 1 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1195/215		$1210/230
Copper			
Cash Grade A	£924.5	+1	£920
3 mths	£948.75	+1	£943.75
Gold Troy oz	$391.75	+2.5	$405.75
Lead Cash	£343	+2	£327.5
3 mths	£319.25		£319.5
Nickel			
Free Mkt	169/189c		164/184c
Palladium oz	$118.40	+1	$129.75
Platinum oz	$495.5	+2	$572.25
Quicksilver†	$160/170		$160/180
Silver troy oz	383.20p	+8.25	397.65p
3 mths	393.65p	+8.7	408.35p
Tin			
free Mkt	£4580/690	+60	£4550/90
Tungsten	$45.57		$51.25
Wolfram 22.0lb	$32/42		$32/42
Zinc	£529.5	−7.5	£604.5
3 mths	£526.75	−4.75	£591.5
producers	$878/928		$920
OILS			
Coconut (Phil)	$415z		$380
Palm Malayan	$307.5u		$330
Copra (Phil)	$250v		$260
Soyabean (U.S.)	$154y		$170
GRAINS			
Barley Fut. Mar.	£115.00		£115.60
Maize	£145.00v		£143.00
Wheat Fut. Mar.	£114.30	+0.20	£112.00
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1429.5	−23	£1518.5
Coffee Ft. Mar.	£1852	−30.5	£2323
Cotton A Ind.*	54.10c	‡	50.95c
Gas Oil Jan.	$127.5	+0.75	$124
Rubber (kilo)	62.25p	−0.5	67.5p
Sugar (raw)	$149z	+0.5	$145
Wooltops 64s	425p kilo		418p kilo

In tonnes unless otherwise stated. ‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. v Dec. x Jan-Feb. z Dec-Jan. u Jan.

COFFEE

Robusta prices consolidated within a narrow range above recent lows throughout a quiet morning, reports Drexel Burnham Lambert. A weak performance in New York after its extended break prompted further stale long-liquidation in London and a close at the day's lows.

COFFEE	Yesterday close	+ or −	Business Done
Jan	1931-32	−39.0	1960-1931
Mar	1851-53	−30.5	1899-1851
May	1861-63	−45.5	1910-1960
July	1885-87	−37.0	1920-1965
Sept	1900-10	−38.0	1940-1905
Nov	1920-40	−20.0	—
Jan	1900-60	—	—

Sales: 4,843 (6,768) lots of 5 tonnes. ICO indicator prices (US cents per pound) for November 26: Comp. daily 1979 142.00 (142.67); 15-day average 147.31 (148.33).

COCOA

An unchanged opening gave way to £30 losses on the day as trade and chartist liquidation depressed futures to new four-month lows during an active session. Origin offers of actuals were noted, as well as some light manufacturer offtake, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	1385-1386	−28.0	1414-1385
March	1429-1430	−23.0	1455-1427
May	1451-1453	−23.5	1476-1452
July	1471-1472	−28.0	1498-1471
Sept.	1491-1493	−31.0	1525-1491
Dec.	1520-1522	−28.0	1552-1522
March	1548-1550	−27.5	1579-1556

Sales: 6,604 (4,125) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 28: 90.54 (90.15); five-day average for November 27: 90.61 (90.91).

POTATOES

An initial rise was short-lived and values fell until the mid-afternoon when some support appeared at £4.00 down, and the market lifted to close fairly steady, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	112.00	112.00	—
Apr	150.80	152.20	154.80-150.20
May	179.00	180.00	180.50-178.50
Nov	91.50	86.00	187.00
Feb	97.50	95.50	—

Sales: 1,304 (2,224) lots of 40 tonnes.

GRAINS

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent Dec 106.00, Jan 107.00, Feb 108.00, March 108.75. French 11½-12 per cent Dec 140.50. English feed fob Dec 114.00 seller, Jan 115.50-116.50, Jan/March 117.00-117.50, April/June 119.50-120.50 buyer/sellers. Maize: US No 3 yellow/French transhipment east coast Dec 145.00. Barley: English feed fob Dec 114.00 seller, Scottish, 115.50 seller, English, Jan/March 118.25 value English, Jan 115.25 Scottish, Jan/March 116.50 seller Scottish, April/June 120.50 seller.

	WHEAT		BARLEY	
Mnth	Yesterday's close	+ or −	Yest'rdy's close	+ or −
Jan	111.50	+0.20	112.85	—
Mar.	114.30	+0.20	115.00	—
May	116.40	+0.15	116.20	+0.05
July	117.75	+0.25	—	—
Sep.	101.40	+0.10	100.75	+0.25
Nov.	103.75	+0.10	103.20	+0.10
Jan.	106.75	—	106.20	—

Business done—Wheat: Jan 111.50-1.30, Mar 114.30-4.15, May 116.40-6.30, July untraded, Sept 101.40, Nov 103.75-3.65, Jan 106.75. Sales: 219 lots of 100 tonnes. Barley: Jan 112.85, Mar 115.10-5.00, May 116.20, Sept 100.75, Nov 103.20, Jan untraded. Sales: 51 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed Barley: Eastern 108.30, E Mids 107.70. The UK monetary co-efficient for the week beginning Monday December 8 (based on HGCA calculations using 4 days' exchange rates) is expected to change to 1.277.

RUBBER

PHYSICALS — The London market opened slightly steadier, attracted little interest throughout the day, and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 62.25p (62.75p); Jan 60.25p (60.75p); Feb 60.50p (61.00p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 213.5 (212.5) and SMR 20 193 (192).

FUTURES—Index 637, Jan 640-650, Jan-March 645-655, April-June 695-650, July-Sept 661-676. Sales: 0.

TEA

31,453 packages were on offer in the London tea auction, including 4,800 packages in the offshore section, reports The Tea Brokers' Association. The market continued selective with many withdrawals. A limited quantity of good liquoring Assams realised firm prices but all others lost 5-10p per kg, while plain mediums often failed to attract bids. Bright East Africans proved irregular and sometimes appreciably lower. Better mediums remained about steady, plainer descriptions eased by 2-4p with Central Africans showing a more marked decline. Ceylons met a better demand, particularly brighter liquoring teas, which were irregularly dearer. Offshore containers attracted good support at firm to dearer rates. Quotations: quality 185p a kg (190p); medium 148p a kg (152p); low medium 115p a kg (120p).

OIL

Spot crude prices were stable in a very thin market. January WTI opened 11c up against Wednesday's close and gained a further 16c by 1.30 pm EST in thin trade. In the petroleum products market fuel oil was especially firm. Prompt gas oil firmed slightly, while forward periods remained stable. Naphtha was nominally firmer for all periods. Gasoline was quiet—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.70-13.90	+0.20
Brent Blend	14.65-14.70	−0.025
W.T.I. (1pm est)	15.30-15.35*	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	140-144	—
Gas Oil	121-123	+1
Heavy fuel oil	77-79	+5
Naphtha	123-125	+1

* January

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	123.75	+1.50	124.25-22.50
Jan	127.50	+0.75	128.50-27.00
Feb	130.25	+0.25	131.25-28.75
Mar	127.50	+0.75	128.25-27.50
Apr	123.00	−1.00	125.00-23.00
May	121.00	−1.00	121.00

Turnover: 1,579 (2,375) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec.	79.50	+1.50	80.00-79.50
Jan.	78.25	+2.25	78.25-78.00
Feb.	79.00	+1.00	—

Turnover: 20 (5) lots of 100 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.20p per kg lw (+0.70). GB—Sheep 190.51p per kg est dcw (+17.10). GB—Pigs 75.92p per kg lw (−0.64).

FUTURES—Pigs: Feb 97.30, April 95.60, sales 15. Pigmeat: Jan 99.50, sales 1.

SUGAR

LONDON DAILY PRICE—Raw sugar $149.00 (£109.00), up 50c (up 50p) a tonenu for Devtufm0 ETAOIN............ tonne for December-January delivery. White sugar $179.00, unchanged.

Sales: 3,338 (751) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £207.00 (£206.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 28: Daily price 5.81 (5.75); 15-day average 5.95 (5.93).

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Dec.	155.0-157.8	—	156.0-148.8
Mar.	155.9-156.0	149.8-149.2	158.8-151.8
May	158.4-158.8	152.0-152.2	161.4-156.0
Aug	161.0-161.4	155.2-155.4	163.8-158.6
Oct.	165.8-164.0	158.8-158.4	—
Dec.	—	161.8-162.0	175.8
Mar.	175.0-177.8	170.0-170.8	—

PARIS—(FFr per tonne): March 1210-1215, May 1235-1250, Aug 1265-1273, Oct 1300-1315, Dec 1340-1360, March 1380-1400.

FREIGHT FUTURES

Short-covering towards the close rallied prices, but there was no fresh background news and trading remained thin, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	679/680	679.5/670	674/675
April	705	706/697	700/702
July	612/613	612/605	606/607
Oct.	712/713	712.5/706	710/712
Jan.	705/712	—	710/715
Apr.	785/790	—	790/800
July	655	660	650/660
Oct.	850	—	850
BFI.	736	—	737.5

Turnover: 101 (599).

	Close	High/Low	Prev.
Tankers			
Dec.	850/940	—	850/870
BTI.	945.5	—	939

Turnover: 0 (0).

COTTON

LIVERPOOL—Spot and shipment sales for the week commencing November 24 amounted to 903 tonnes. Business ranged over Israeli, Peruvian, Russian, Paraguayan, Sudanese, Turkish and Central and West African varieties.

US MARKETS

SUGAR FUTURES closed sharply higher after a swift technical rally in late morning which took prices in the active March contracts to the highest levels in 11 sessions, reports Heinold. Various commodity funds featured as heavy buyers in good volume. Buy-stops were first hit around the 6.75c level in March, then at 6.84c and 6.86c. Trade houses sold steadily into the rally. Reports that Indonesia may be importing as much as 150,000 tonnes of sugar were cited as a possible psychological trigger for the rally. Platinum, gold and silver closed higher although prices drifted down from session highs reached near the opening. Trading was fairly thin. Prices rose on strength in London and the weaker US dollar, which has been linked to nervousnes in Washington over the arms sales to Iran. Trade selling and commission house buying at the lower levels in gold was reported. Cocoa futures eased on trade selling following rumours of further Ivory Coast sales.

NEW YORK

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	60.75	60.80	60.40	60.45
Jan	60.65	60.40	60.40	60.45
Feb.	60.90	—	—	60.75
March	61.15	61.25	60.75	61.05
May	61.70	61.80	61.40	61.55
July	62.05	62.15	61.70	61.95
Sept	62.30	62.40	62.05	62.25
Dec	62.75	62.70	62.50	62.75
Jan	62.95	—	—	62.95
March	63.25	—	—	63.25

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.42	6.45	6.25	6.08
March	6.95	6.97	6.68	6.60
May	7.05	7.07	6.82	6.72
July	7.14	7.14	6.93	6.84
Sept	7.22	7.03	7.02	6.91
Oct	7.32	7.33	7.11	7.03
Jan	7.45	—	—	7.16

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	48.50	48.70	48.50	48.70
Jan	48.95	—	—	49.15
Feb	49.25	—	—	49.45
March	49.60	49.80	49.60	49.80
May	49.90	—	—	50.10
July	50.25	—	—	50.45
Sept	50.45	50.90	50.90	50.65
Dec	50.55	—	—	50.75
Jan	50.75	—	—	50.95
March	50.85	—	—	51.05

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	393.8	—	388.8	390.9
Jan	395.9	401.0	—	393.0
Feb	397.5	403.5	394.0	394.8
April	400.8	407.3	395.5	398.0
June	404.0	411.5	398.5	401.2
Aug	407.3	413.0	403.0	404.4
Oct	410.5	415.5	411.0	407.5
Dec	414.0	419.5	410.0	410.9
Feb	417.7	424.0	417.0	414.5
June	425.5	425.8	425.8	422.3
Oct	410.5	415.5	411.0	407.5

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1824	1830	1810	1847
March	1861	1883	1855	1886
May	1899	1918	1894	1921
July	1918	1936	1915	1940
Sept	1942	—	—	1963
Dec	1964	1980	1955	1988
March	1989	—	—	2010

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	142.04	144.50	140.65	148.04
March	145.62	146.95	143.00	150.85
May	147.25	147.50	147.25	151.25
July	148.75	149.00	148.75	152.75
Sept	149.01	—	149.00	153.00
Dec	150.50	—	—	154.00

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	15.29	15.33	15.11	15.00
Feb	15.44	15.47	15.22	15.12
March	15.46	15.47	15.26	15.13
April	15.43	15.43	15.26	15.11
May	15.40	15.40	15.30	15.09
June	15.34	15.36	15.23	15.07
July	15.40	15.40	15.40	15.05
Aug	15.30	—	—	15.03
Sept	15.30	15.30	15.30	—
Oct	15.40	15.40	15.40	15.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	489.6	486.4	486.4	472.8
Jan	491.8	502.9	485.0	475.8
April	495.8	505.7	489.0	481.7
July	499.8	508.0	495.0	485.9
Jan	506.4	—	—	494.5

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	53.83	54.45	51.80	51.98
March	54.62	54.83	52.40	52.85
May	54.89	54.96	52.60	52.98
July	55.17	55.17	53.00	53.17
Oct	56.20	56.40	54.20	54.40
Dec	56.65	56.70	54.60	54.87
March	56.90	56.75	56.75	55.15
May	57.25	—	—	55.30

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Jan	44.20	44.35	43.30	42.89
Feb	44.85	45.15	44.00	43.46
March	43.75	43.75	43.20	42.51
April	42.30	42.25	42.00	41.30
May	41.05	41.50	40.90	39.75
June	40.50	40.35	40.35	39.25
July	40.90	40.60	40.60	39.15
Aug	41.20	41.20	41.20	39.95
Sept	42.20	42.20	42.20	41.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	124.00	124.40	123.10	123.15
March	125.00	125.10	124.20	123.70
May	124.65	124.25	123.95	123.65
July	124.55	124.50	123.95	123.20
Sept	124.70	124.70	123.00	123.15
Jan	124.20	124.00	123.25	123.05

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	545.0	549.0	529.0	538.9
Jan	547.7	—	—	541.7
Feb	550.6	—	—	544.6
March	553.5	558.0	547.5	547.5
May	558.8	563.0	554.0	552.7
July	564.2	568.0	558.0	558.0
Sept	569.8	571.0	568.0	563.4
Dec	578.3	582.0	574.0	571.7
Jan	581.3	—	—	574.7
March	587.2	590.0	585.0	580.5

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	62.45	62.75	62.10	62.10
Feb	59.27	59.55	59.15	59.17
April	58.50	58.85	58.45	58.55
June	57.22	57.50	57.20	57.20
August	56.00	56.20	56.00	55.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	56.22	56.30	55.70	55.60
Feb	53.07	53.25	52.65	52.46
April	47.45	47.75	46.92	46.77
June	49.05	49.10	48.50	48.47
July	48.72	48.90	48.25	48.17
August	46.95	46.35	45.85	45.75
Oct	42.10	42.25	42.10	42.05
Dec	42.75	42.75	42.50	42.20

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	171.0	171.6	169.4	168.6
March	179.2	180.0	178.4	177.6
May	184.4	184.4	182.8	182.2
July	186.0	186.2	184.2	184.0
Sept	187.2	187.4	186.4	186.4
Dec	191.2	191.6	190.0	190.4
March	198.0	198.6	197.4	197.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	73.70	74.25	73.10	73.60
March	72.27	72.80	71.35	72.22
May	71.77	72.80	71.25	71.62
July	69.65	70.20	69.12	69.60
August	67.25	67.75	66.65	67.40

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Jan	503.6	504.6	502.6	503.4
March	507.2	508.4	506.4	507.2
May	510.6	511.2	510.0	510.4
July	512.4	513.4	512.0	512.6
August	511.0	512.2	511.0	511.2
Sept	501.4	502.6	501.2	501.0
Nov	501.4	502.4	501.0	501.4
Jan	509.4	509.4	509.0	509.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	149.4	149.8	149.2	149.3
Jan	148.6	149.2	148.6	[illegible]
March	148.6	149.1	148.4	148.8
May	148.5	149.0	148.5	149.0
July	148.8	149.4	148.7	149.0
August	148.8	149.0	148.7	149.2
Sept	148.6	148.8	148.5	148.8
Oct	149.0	149.0	148.5	149.0
Dec	149.6	150.1	149.6	149.6

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.59	15.60	15.46	15.52
Jan	15.73	15.75	15.61	15.68
March	16.03	16.05	15.92	15.98
May	16.27	16.30	16.18	16.16
July	16.40	16.45	16.33	16.34
August	16.41	16.42	16.33	16.35
Sept	16.25	16.30	16.25	16.20
Oct	16.26	16.25	16.17	16.15
Dec	16.26	16.40	16.25	16.10
Jan	16.22	16.20	16.25	16.15

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
Dec	293.4	194.0	189.4	192.0
March	287.6	288.0	283.4	286.2
May	268.8	268.6	265.2	267.0
July	249.2	249.4	247.4	248.4
Sept	250.4	250.4	250.4	250.0
Dec	254.0	—	—	253.4

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 544.0 (524.0) cents per troy ounce.

FOREIGN EXCHANGES

Dollar near 6-year D-Mark low

THE DOLLAR fell to its lowest closing level against the D-Mark for nearly six years, *but rose slightly* against the yen, suggesting that the US agreement with Japan to stabilise exchange rates remains intact, but is coming under increasing pressure.

Fears that President Ronald Reagan may be getting into deep water over the Iranian arms sale scandal put pressure on the dollar, which was only partly relieved by a larger than expected rise of 1.6 per cent in October US construction spending. This figure did not reverse the bearish sentiment surrounding the dollar on economic grounds however, and the growing fears about the future of the Reagan presidency.

The dollar fell to the lowest level since January 1981 at DM 1.9660 from DM 1.9730; the lowest since June 1982 at FFr 6.44 from FFr 6.4625; and to *SFr 1.6375 from SFr* 1.6420, but rose to Y162.20 from Y162.00.

On Bank of England figures the dollar's index fell to 109.7 from 110.0.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. November average 1.4250. Exchange rate index fell 0.2 to 67.9, compared with 76.0 six months ago.

Sterling suffered sharp early falls in line with the dollar, but recovered to close 45 points higher at \$1.4375-1.4385, and at Y233.23 against Y232.25. The pound finished unchanged at DM 2.8275 and SFr 2.3550, but fell to FFr 9.26 from FFr 9.2850.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. November average 2.0227. Exchange rate index 144.3 against 132.2 six months ago.

The D-Mark gained ground against the dollar, as the political scandal involving US arms sales to Iran continued to undermine confidence in the dollar. Dealers suggested the US currency could touch DM 1.90 by the year-end, but the dollar finished above the day's low on better than expected US construction spending. The dollar closed at DM 1.9625 in Frankfurt, compared with DM 1.9760 on Friday. The Bundesbank did not intervene when the dollar was fixed at DM 1.9611, against DM 1.9773 before the weekend.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. November average 162.77. Exchange rate index 204.3 against 200.3 six months ago.

The yen rose against the dollar in Tokyo, but dealers feared intervention by the West German Bundesbank, and were not *prepared to put strong downward* pressure on the dollar. The recent agreement between the US and Japan on stabilisation of exchange rates prevented any sharp upward move by the yen, but this put increasing strains on the yen's cross rate with the D-Mark, leading to suggestions the currency pact may be short lived. The Bundesbank was said to have made inquiries about exchange rates to banks in Hong Kong, increasing market nervousness, but there was no sign of intervention by the central bank in the Far East. The dollar closed at Y161.75 in Tokyo compared with Y162.20 on Friday.

TAIWAN DOLLAR—The Central Bank of Taiwan bought at least \$270m to support the US dollar against the local currency. The Taiwan dollar rose sharply as local banks and exporters sold US dollars on fears of a further depreciation by the currency. The US dollar closed at T\$36.24 in Taipei, the lowest level since July 10, 1981.

NEW ZEALAND DOLLAR—The New Zealand currency fell sharply on comments by Mr David Lange, the New Zealand Prime *Minister. He warned that statis*tics due for publication in the next few weeks are likely to paint a gloomy picture of the economy. This led to heavy sellig of the New Zealand dollar, taking it down to 49.85 US cents at the close in Wellington, compared with 51.15 cents at the start.

£ IN NEW YORK

Dec 1	Latest	Previous Close
£ Spot	1.4345-1.4350	1.4340-1.4350
1 month	0.56-0.53 pm	0.58-0.57 pm
3 months	1.79-1.74 pm	1.81-1.79 pm
12 months	6.35-6.25 pm	7.80-7.70 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Dec. 1	Previous
8.30 am	67.8	68.1
9.00 am	67.8	68.1
10.00 am	67.7	68.1
11.00 am	67.6	68.1
Noon	67.7	68.1
1.00 pm	67.7	68.0
2.00 pm	67.7	68.1
3.00 pm	67.8	68.1
4.00 pm	67.9	68.1

CURRENCY RATES

Dec. 1	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	N/A	0.798779
U.S. Dollar	5.5	N/A	1.06015
Canadian \$	8.49	*	1.46470
Austrian Sch.	4	N/A	14.6269
Belgian Franc	8	N/A	43.2010
Danish Krone	7	N/A	7.84827

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2010	+0.20	+1.08	± 1.5368
Danish Krone	7.81701	7.84827	+0.40	+1.28	± 1.6403
German D-Mark	2.11083	2.07736	−1.59	−0.71	± 1.1127
French Franc	6.87316	6.80509	−0.99	−0.11	± 1.3659
Dutch Guilder	2.37833	2.34770	−1.29	−0.41	± 1.5059
Irish Punt	0.764976	0.764070	−0.12	+0.76	± 1.6683
Italian Lira	1476.95	1440.74	−2.45	−1.89	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Dec. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4315-1.4385	1.4375-1.4385	0.62-0.60c pm	5.09	1.83-1.80 pm	5.09
Canada	1.9804-1.9804	1.9875-1.9885	0.49-0.41c pm	2.72	1.44-1.32 pm	2.78
Netherlands	3.17½-3.19¼	3.18¼-3.19¼	1½-1⅜c pm	5.40	4⅜-4 pm	5.25
Belgium	58.44-58.81	58.60-58.70	¼ par pm	0.03	⅝-⅛ pm	0.03
Denmark	10.61-10.67¼	10.65½-10.66½	2⅛-1 ore pm	1.76	3¾-2½ pm	1.17
Ireland	1.0320-1.0390	1.0370-1.0380	0.22-0.47 p dis	−3.99	0.70-1.15 dis	−3.57
W. Germany	2.81-2.83¾	2.82¼-2.83¼	1⅝-1½ pf pm	6.63	4⅝-4¼ pm	6.28
Portugal	210.01-211.75	210.50-211.75	80-125 c dis	−5.83	230-355 dis	−5.55
Spain	190.58-192.00	191.40-191.70	20-130 c dis	−4.70	35-140 dis	−1.83
Italy	1945¼-1961½	1959½-1960½	4 pm-1 lire dis	−0.92	20 pm 15 dis	−0.51
Norway	10.70-10.76½	10.74¼-10.75¼	3-3¾ ore dis	−3.77	9⅞-10¼ dis	−3.65
France	9.20¼-9.26½	9.25½-9.26½	3-2½ c pm	3.56	7¼-6¾ pm	2.92
Sweden	9.82-9.86¾	9.85-9.86	1⅝-1 ore pm	1.60	4½-3½ pm	1.62
Japan	231½-233¾	232¼-233¼	1½-1¼ y pm	7.07	4-3¾ pm	6.65
Austria	19.78-19.87	19.84-19.87	10⅝-9⅝ gro pm	5.89	29-26½ pm	5.59
Switzerland	2.33¾-2.36	2.35-2.36	1⅝-1⅜ c pm	7.64	4⅜-4 pm	7.11

Belgian rate is for convertible francs. Financial franc 59.10-59.20.
Six-month forward dollar 3.69-3.64 c pm. 12-month 6.80-6.70 c pm
Correction for Nov 28. W. Germany close 2.82¼-2.83¼ US close 1.4330-1.4340.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Dec. 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4315-1.4385	1.4375-1.4385	0.62-0.60c pm	5.09	1.83-1.80pm	5.05
Ireland†	1.3814-1.3880	1.3830-1.3840	1.05-0.95pm	8.65	3.00-2.75pm	8.29
Canada	1.3810-1.3890	1.3820-1.3830	0.26-0.29c dis	−2.39	0.77-0.82dis	2.30
Netherlands	2.2120-2.2255	2.2200-2.2210	0.08-0.06c pm	0.38	0.19-0.16pm	0.32
Belgium	40.70-40.95	40.75-40.85	3-5c dis	−1.18	13-17 dis	−1.47
Denmark	7.39½-7.44¼	7.40¼-7.41¾	1.65-2.15ore dis	−3.08	7.00-7.50 dis	−3.91

FINANCIAL FUTURES

Gilts remain depressed

GILT PRICES lost ground in the London International Financial Futures Exchange yesterday. Sterling's weakness appeared to be the primary cause for concern although the pound's decline itself was exacerbated by a lower dollar. Friday's weaker trend and unfavourable comment over the weekend added to the gloom and after a lower start, gilt prices continued to fall. The March contract started at 107-24 which proved to be the day's high and moved down to 107-00 very quickly. It touched a low of 106-29 at which point the selling appeared to dry up and this prompted a fair degree of short covering back to a close of 107-14, still down from Friday's close of 108-09.

Three-month sterling deposits were slightly weaker. A bulk of the day's trading took place in the March contract although current uncertainty and proximity of Christmas and the year end encouraged some speculators to wait until January before making a commitment. Sterling's steadier trend in the afternoon helped values to finish above the day's lows but trading remained very nervous.

Dollar based contracts remained weak because of the increasing uncertainty caused by the Iranian arms controversy. A stronger trend in gold bullion and the D-Mark saw US bond prices break through a chart point quite early on which encouraged further liquidation. However, there appeared to be some resistance at the day's lows, with expectations of further poor economic data providing underlying support. A surprise increase in US construction spending appeared to have little effect in what one dealer described as a tired market. The March price opened at 98-19 which was the day's high and touched a low of 97-22 before closing at 97-30.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
100	7.48	8.15	0.20	0.51
102	6.04	6.44	0.40	1.16
104	4.35	5.20	1.07	1.56
106	3.17	4.07	1.53	2.43
108	2.15	3.07	2.51	3.43
110	1.29	2.18	4.01	4.54
112	0.57	1.40	5.29	6.12
114	0.33	—	7.05	—

Estimated volume total, Calls 333 Puts 310

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	8.07	7.53	0.11	0.49
92	6.21	6.18	0.25	1.14
94	4.46	4.59	0.50	1.55
96	3.22	3.48	1.26	2.44
98	2.15	2.50	2.19	3.46
100	1.26	2.00	3.30	4.60
102	0.53	1.25	4.57	6.21
104	0.29	0.60	6.33	7.56

Estimated volume total, Calls 10 Puts 0

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Jan.	Puts—Last Dec.	Puts—Last Jan.
15500	7.35	—	0.25	—
15750	5.22	8.06	0.62	0.71
16000	3.41	6.12	1.31	1.27
16250	2.03	4.45	2.43	2.10
16500	1.08	3.09	3.98	3.24
16750	0.51	2.04	5.91	4.69
17000	0.22	1.27	8.12	6.42
17250	0.08	0.75	10.48	8.40

Estimated volume total, Calls 60, Puts 9

IMM—STERLING \$s per £

	Latest	High	Low	Prev
Dec.	1.4325	1.4340	1.4310	1.4315
Mar.	1.4140	1.4165	1.4125	1.4135
June	1.3975	1.3975	1.3965	1.3955
Sept.	1.3840	1.3840	—	1.3830

LIFFE—STERLING £25,000 \$ per £

	Close	High	Low	Prev
Dec.	1.4338	1.4323	1.4323	1.4340
Mar.	1.4155	1.4150	1.4145	1.4160
June	1.3980	—	—	1.3990

Estimated volume 33 (229) Previous day's open int 1,680 (1,557)

MONEY MARKETS

UK rates firmer on weak pound

INTEREST RATES were slightly firmer yesterday as attention centred on the pound's weakness. There was little else to influence sentiment *and dealers saw little prospect of* any change before the Christmas break. Sterling's weaker trend was the primary cause for concern although with the flotation of British Gas and next week's Opec meeting, there appeared to be little chance of the authorities supporting the pound through a rise in base rates at least until these two factors are out of the way.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank money finished unchanged at 11$\frac{7}{16}$-11$\frac{5}{16}$ per cent while one-year money was higher at 11$\frac{9}{16}$-11$\frac{7}{16}$ per cent compared with 11½-11⅜ per cent. Overnight money opened at 10⅞-10¾ per cent and eased to 10¾-10½ per cent before moving up to 11½-11¼ per cent. Closing balances were taken at 11½ per cent although the Bank appeared to give more help than the published forecast.

The Bank of England forecast a shortage of around £400m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £857m. These were partly offset by Exchequer transactions which added £25m, a rise in the note circulation of £340m and banks' balances brought forward £105m above target.

The Bank gave assistance in the morning of £182m through outright purchases of eligible bank bills, £15m in band 2 at 10$\frac{11}{16}$ per cent, £20m in band 3 at 10¾ per cent and £147m in band 4 at 10$\frac{11}{16}$ per cent. The forecast was later revised to a shortage of around £350m before taking into account the early help and the Bank gave additional assistance in the after*noon of* £173m. This comprised outright purchases of £68m of eligible bank bills in band 1 at 10⅞ per cent, £81m in band 2 at 10$\frac{11}{16}$ per cent, and £12m in band 3 at 10¾ per cent and £12m in band 4 at 10$\frac{11}{16}$ per cent. Late asssistance came to £90m, making a total of £445m.

In Frankfurt the Bundesbank announced its intention to offer extra funds through a 35-day sales and repurchases agreement. Once again the rate was not fixed but the authorities stipulated a minimum bid of 4.30 per cent. Successful applicants will be credited with their allocation tomorrow, coinciding with maturing facilities which will drain DM11bn. Call money was quoted at 4.50-4.65 per cent from 4.25-4.50 per cent on Friday, reflecting the growing

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 1) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 $\frac{1}{16}$	Offer 6 $\frac{3}{16}$	bid 6	Offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for \$10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	7½
Broker loan rate	7
Fed. funds	5⅞
Fed. funds at intervention	6⅛

Treasury Bills and Bonds

One month	5.18	Three year	6.42
Two month	5.66	Four year	6.62
Three month	5.54	Five year	6.72
Six month	5.68	Seven year	7.01
One year	5.78	10 year	7.18
Two year	6.23	30 year	7.44

Dec.1	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.50-4.65	4.65-4.75	4.60-4.75	4.60-4.75	4.60-4.75	5.5
Paris	7¼	7$\frac{3}{16}$-7$\frac{5}{16}$	7½-7⅝	7$\frac{9}{16}$-7$\frac{11}{16}$	7⅝-7¾	7
Zurich	⅞-1⅛	3$\frac{13}{16}$-4$\frac{1}{16}$	—	3⅞-4	—	—
Amsterdam	5⅞-6	5$\frac{11}{16}$-5$\frac{13}{16}$	—	5¾-5⅞	—	—
Tokyo	3.65625	4.40625	—	4.34375	—	—
Milan	10⅞-11¼	11¼-11¾	—	11⅛-11⅝	—	—
Brussels	5.15	7$\frac{3}{16}$-7$\frac{5}{16}$	—	7¼-7½	—	—
Dublin	12¾-13	14-14¼	14¼-14½	14⅜-14⅝	14⅛-14⅞	—

LONDON MONEY RATES

Dec. 1	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11½-10½	11-10¾	11⅛-10$\frac{15}{16}$	11⅜-11$\frac{3}{16}$	11$\frac{9}{16}$-11$\frac{7}{16}$	11$\frac{9}{16}$-11$\frac{7}{16}$
Sterling CDs	—	—	11$\frac{1}{16}$-10$\frac{15}{16}$	11$\frac{3}{16}$-11$\frac{1}{16}$	11$\frac{5}{16}$-11$\frac{3}{16}$	11$\frac{5}{16}$-11$\frac{3}{16}$
Local Authority Deposits	10⅞-10⅝	10⅞-10¾	11-10⅞	11⅜-11$\frac{3}{16}$	11$\frac{7}{16}$-11$\frac{5}{16}$	11$\frac{7}{16}$-11$\frac{5}{16}$
Local Authority Bonds	—	—	11½	11½	11⅝	11⅝
Discount Market Deposits	10¾-10½	10⅝-10½	10¾	10¾	—	—
Company Deposits	10⅞	11	11⅛	11$\frac{5}{16}$	11$\frac{7}{16}$	11$\frac{7}{16}$
Finance House Deposits	—	—	11$\frac{1}{16}$	11$\frac{5}{16}$	11$\frac{7}{16}$	11$\frac{7}{16}$
Treasury Bills (Buy)	—	—	10$\frac{13}{16}$	10$\frac{13}{16}$	—	—
Bank Bills (Buy)	—	—	10$\frac{11}{16}$	10¾	10⅞	—
Fine Trade Bills (Buy)	—	—	11$\frac{11}{16}$	11$\frac{11}{16}$	11½	—
Dollar CDs	—	—	6.25-6.20	6.00-5.95	5.95-5.90	6.00-5.95
SDR Linked Deposits	—	—	6½-6¼	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	7$\frac{13}{16}$-7$\frac{11}{16}$	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10$\frac{23}{32}$ per cent; three-months 10$\frac{21}{32}$ per cent; Bank Bills (sell): one-month 10¾ per cent; three months 10$\frac{11}{16}$ per cent; Treasury Bills: Average tender rate of discount 10.6692 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive): 11.237 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986; Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10¾ per cent; one-three months 11 per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¼ per cent from November 14. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

£ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on December 1, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate.

COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING	COUNTRY	CURRENCY	VALUE OF £ STERLING
Afghanistan	Afghani	99.00	Ghana	Cedi	216.685	Panama	Balboa	1.4380
Albania	Lek	10.14	Gibraltar	Gibraltar £	1.0	Papua New Guinea	Kina	1.3920
Algeria	Dinar	6.64	Greece	Drachma	196.98	Paraguay	Guarani	(344.40 (10) 871.76 (7)
Andorra	French Franc	9.26	Greenland	Danish Krone	10.66			

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	1986 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
102[illegible]	100[illegible]	Exch 13¼pc 1987	100[illegible]	–[illegible]	13.22	10.73
100⅞	97[illegible]	Treas 10¼pcCv '87	99[illegible]	.....	10.29	11.60
98[illegible]	92[illegible]	Exch 2½pc 1987	98[illegible]	–[illegible]	2.55	10.69
101[illegible]	97½	Exch. 10½pc 1987	99[illegible]	–[illegible]	10.53	11.21
98[illegible]	95[illegible]	Funding 6½pc 85-87	98[illegible]	–[illegible]	6.59	10.15
101[illegible]	96[illegible]	Treas. 10pc 1987	99[illegible]	–[illegible]	10.06	11.25
97[illegible]	90[illegible]	Treas 3pc 1987	96[illegible]	–[illegible]	3.10	8.62
104½	99[illegible]	Treas. 12pc 1987	100[illegible]	–[illegible]	11.92	11.18
99[illegible]	92[illegible]	Treas 7¾pc 1985-88‡‡	97	.....	7.99	10.51
104	96[illegible]	Exch 10½pc '88	99	–[illegible]	10.61	11.28
102[illegible]	95[illegible]	Treas 9¾pc Cv '88	97[illegible]	–[illegible]	9.98	11.35
94[illegible]	86[illegible]	Transport 3pc '78-88	92[illegible]	.....	3.24	8.14
102[illegible]	93[illegible]	Treas. 9½pc '88	96[illegible]	–[illegible]	9.81	11.35
107[illegible]	98[illegible]	Treas 11½pc 1989	100[illegible]	–[illegible]	11.49	11.38
103[illegible]	93[illegible]	Treas 9½pc Cnv 1989	96[illegible]	–[illegible]	9.88	11.39
92[illegible]	82[illegible]	Treas 3pc 1989	88[illegible]	.....	3.38	8.19
105[illegible]	95[illegible]	Treas 10½pc 1989	98[illegible]	–¼	10.69	11.36
104[illegible]	94[illegible]	Exch 10pc 1989	96[illegible]	–[illegible]	10.33	11.40
107[illegible]	97	Exch 11pc 1989	99[illegible]	–¼	11.10	11.34
93[illegible]	84½	Treas 5pc 1986-89	89[illegible]	.....	5.61	9.40
110[illegible]	94[illegible]	Exch 10¼pcCv '89	99[illegible]	–[illegible]	10.26	10.26
114[illegible]	103[illegible]	Treas 13pc 1990‡‡	104[illegible]	–[illegible]	12.49	11.36
108[illegible]	97[illegible]	Exch 11pc 1990‡‡	99[illegible]	–[illegible]	11.11	11.33
113[illegible]	101[illegible]	Exch 12¼pc 1990	103[illegible]	–[illegible]	12.12	11.34
89[illegible]	79[illegible]	Treas 3pc 1990	83[illegible]	–¼	3.57	8.50
100[illegible]	89[illegible]	Treas 8¼pc 1987-90‡‡	93[illegible]	–[illegible]	8.85	10.60
10[illegible]	93	Treas 10pcCv 1990	95[illegible]	–[illegible]	10.44	11.35

Five to Fifteen Years

Over Fifteen Years

Undated

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SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
42	19½	Anglo Utd	27	.....	—	—	—
80	27	♥Colby Res Corp	30	.....	—	—	—
300	115	Cons. Murch. 10c	£17⅞	.....	Q60c	4.4	9.9
44	24	♣Essex Int. Ir10p	42	.....	—	—	—
159	70	Greenwich Res.	157	+1	—	—	—
157	93	Hampton Areas 10p	146	.....	ϕ1.0	—	1.0
327	165	♥Highwood Res.	224	+8	—	—	—
£20¾	£13⅝	Homestake Mining $1	£18¼	+¼	Q20c	—	0.7
310	156	♥McFinley Red Lake	199	+6	—	—	—
285	144	♥Musto Explorations	207	+3	—	—	—
51	28	♥New Sabina Res C$1	38	.....	—	—	—
353	200	Northgate C$1	296	+1	—	—	—
790	513	RTZ	663	−5	22.0	2.4	4.6
£164	£115	Do. 9½pcLn '95-2000	£140½	+½	Q9½%	15.5	f6.9

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ *Interim since reduced, passed or deferred.*
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ‡ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ *Same interim: reduced final and/or reduced earnings indicated.*
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ϕϕ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. *h Assumed dividend and yield after scrip issue. j Payment from capital sources.* k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. *x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms.* z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	....	Fin. 13% 97/02	£96⅛	.....
Craig & Rose £1	£15¼	....	Arnotts	265	.....
Finlay Pkg 5p	46	−1	CPI Hldgs	39	.....
Holt (Jos) 25p	810	....	Carrol Inds.	138	.....
IoM Stm. £1	75	....	Dublin Gas	11	.....
			Halt (R. & H.)	95	.....
IRISH			Heiton Hldgs.	27	.....
Fund 11¼% 1988	£96¾	.....	Irish Ropes	140	.....
Nat. 9¾% 84/89	£91½	.....	Unidare	255	.....

"Recent Issues" and "Rights" Page 38 (International Edition Page 29)

LONDON STOCK EXCHANGE

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Nov 10	Nov 20	Nov 21	Dec 1
Nov 24	Dec 4	Dec 5	Dec 15
Dec 8	Dec 18	Dec 19	Jan 5

* New time dealings may take place from 9.00 am two business days earlier.

Guinness inquiry sends new tremor through equities and easier pound weakens Gilts

Bearish developments on both domestic and international fronts hit the UK securities markets yesterday. Weakness in sterling and in US bond markets took more than a point off British Government bond prices, and the equity market was knocked back on its heels when the Department of Trade announced that it was inquiring into the affairs of Guinness, the brewing giant which this year acquired *Distillers* in a bitter takeover struggle.

A wave of selling hit Guinness stock, which fell by more than 40p at worst, as 20m shares changed hands. While the Guinness directors stressed that no reason had been given for the Trade Department's inquiry, the move rang alarm bells in the stock market, which has been unnerved by the Boesky insider trading case in the US, and the Collier incident in the UK.

The stock market, already weakened by losses in the gilt-edged market, fell sharply after the Guinness news, and closed virtually at the day's lows. The FT-SE 100 index fell 18.9 to 1617.8, and the FT Ordinary Index at 1272.5 ended 19.7 down.

With the exception of Guinness and some of the speculative issues, selling was not heavy. The equity market is cautious as it waits for the closure at 10 am tomorrow (Wednesday) of the £5.6bn sale offer of British Gas shares.

Among the blue chips, the major oils held steady despite the nervousness ahead of the OPEC meeting in the middle of the month. Losses in **BAT Industries, Imperial Chemical Industries** and **Glaxo Holdings** were modest, and **Unilever** firmed against the trend. London stood up well against the early fall on Wall Street, but the upset on the brewing sector drove **Bass** shares downwards. **Grand Metropolitan**, a speculative feature last week, gave ground, as did **Hanson Trust**, which has profit figures due.

The fall in both sterling and the dollar brought a weak opening in Government issues, and losses were soon extended. Once again, the trend was set by heavy trading in the LIFFE gilt features contract—the March contract, now the centre of attention, closed nearly one point off.

However, there were buyers as well as sellers for gilts, and prices ended ½ point above the day's lows. The sterling exchange rate index remains comfortably above the 67 level which is the gilt-edged market's support point. By the close, the FT Government Securities index showed a fall of 0.62 to 81.13.

Morgan Grenfell dull

Morgan Grenfell succumbed to persistent nervous offerings and closed 26 lower at 368p with sentiment unsettled by news of the DTI investigation at Guinness. A few weeks ago, Mr Geoffrey Collier, head of Morgan's securities operations, resigned over alleged insider-trading dealings. Elsewhere, **Standard Chartered** advanced to 822p before closing 9 higher at 819p amid reports that Mr Tan Sri Khoo Tech Puat, who resigned from the Board last week as a result of the National Bank of Brunei scandal, had sold his 6.28 per cent stake in the bank to Mr Robert Holmes à Court's Bell Group, which already owns a 10 per cent shareholding. The clearing banks drifted down for want of support. **Midland** lost 7 at 547p and **Lloyds** relinquished 6 at 422p. **Barclays** eased 5 at 469p.

Apart from **Equity and Law**, which improved a few pence more to 307p on further consideration of the increased stake recently taken *in the company by Mr Ron Brierley's* IEP Securities.

TSB Channel Islands staged an impressive debut in the Unlisted Securities Market; the shares, offered at 70p, opened at 96p and settled at 90p, a first-day premium of 20. Last week's highly successful USM newcomer **Glentree** encountered occasional profit-taking and slipped 4 to 46p.

TSB closed a penny cheaper at 76½ as some 5.4m shares changed hands.

The drinks sector was completely overshadowed by Guinness following shock news of the DTI *investigation. Prices drifted lower* in sympathy and **Bass**, which reportedannual figures on Thursday, closed 11 down at 725p.

The Building sector experienced its quietest session for some time and the leaders drifted easier in the absence of buying interest. **Blue Circle**, in which Adelaide Steamship recently increased its holding, were finally 6 off at 646p. Profit-taking in the wake of the excellent results left **BPB Industries** 13 lower at 533p. **Marley** were 2 off at 123p following a broker's lunch. Elsewhere, **James Latham** hardened a penny to 283p, after 287p, ahead of tomorrow's interim results, but **Helical Bar** slipped 10 to 503p following Friday's speculative gain. **Tilbury Group** gained 18 to 208p on renewed suggestions of a bid from Raine Industries, while **Polypipe** firmed 4 to 164p in response to Press comment.

Stores lower

Sellers held sway among leading Stores. **Storehouse** lost 6 at 280p as did **Burton** at 261p, while **Harris Queensway** declined 5 at 213p and **Sears** dropped 4 at 121p. Against the trend, **DAKS Simpson "A"** jumped 30 to 415p in response to revived speculative demand in a thin market.

Just over 2m **GEC** shares changed hands yesterday ahead of today's publication of the interim results and the close was 5 lower at 179p. Other Electrical majors also moved in a downward direction with **Racal** closing 4 down at 173p and **BICC** 3½ cheaper at 254p. **British Telecom**, with half-yearly results scheduled for December 11, gave up 3½ at 193½p. **STC**, a firm market last week following news of a £245m transatlantic contract and a Savory Milln circular, softened a couple of pence at 167p. Elsewhere, **United Leasing** moved up 6 at 188p in front of today's first-half results and **Telephone Rentals** edged forward a penny to 190p following press speculation about a possible bid from Cable and Wireless.

With the exception of **Hawker**, which ran back 8 to 436p, leading Engineers were rarely altered. **VSEL Consortium** provided the outstanding feature of the day in secondary issues, advancing 20 to 180p in response to the sharp recovery in the interim profits. **Baker Perkins**, scheduled to reveal interim figures on Thursday, *gave up 4 to 238p*, but **Hall Engineering** where Regentcrest *and associates hold a 9.06 per cent* stake gained 4 to 240p. **Porter Chadburn** revived with a rise of 10 to 308p, but **Glynwed**, the subject of a broker's recommendation last week, encountered profit-taking and gave up 8 to 314p.

Foods showed a majority of small falls as trading volume contracted. **Tate and Lyle**, annual results due tomorrow, softened 4 to 576p, while **Rowntree Mackintosh** shed 5 to 414p and **Cadbury Schweppes** eased a couple of pence to 180p. **Ranks Hovis McDougall**, a firm market of late on takeover hopes, came back 3 to 283p and **Unigate** lost 4 at 305p. Against the trend, **Christian Salveson** firmed 5 to 155p following press comment; the interim results are due on Thursday. Buyers returned for **Somportex**, 6 higher at 224p, and **Park Food**, a couple of pence dearer at 164p. Among Retailers, **Argyll**, persistently mentioned as front-runner to acquire Safeways' UK supermarket operations, lost 4 at 313p.

Weekend press comment concerning a possible bid for the company stimulated another lively business in **Grand Metropolitan** and the price, some 25p higher on Friday, settled 8 down at 474p as 8.7m shares changed hands. **Trusthouse Forte** were a quieter market and settled 2 cheaper at 178p. Bid speculation boosted **Garfunkels** 6 to 150p, but profit-taking left **Kennedy Brookes** 7½ off at 280p.

BTR weaken

Newspaper comment on the BTR/Pilkington bid situation prompted weakness in the former which fell away to close 10 lower at 265p; 6m shares were traded yesterday. **Pilkington** closed a penny cheaper at 616p. Among the other miscellaneous industrial leaders, **Trafalgar House** closed 5½ lower at 282p awaiting today's preliminary figures; the group's results are expected to have been affected by the slump in oil prices and analysts are *forecasting* pre-tax profits in the region of £145m against £142.5m for 1985. **BOC**, also reporting *annual results today*, held relatively steady at 340p; pre-tax profits are estimated at £190m. The company, however, has already announced that a write down of £128m on its investment in graphite electrodes will be taken above the line. **Reed International** *came on offer* at 293p, down 10, while US favourite **Glaxo** closed 10 cheaper at 910p. Elsewhere, weekend press comment stimulated demand for **Teye**, 29 up at 145p and **Arenson**, 4 to the good at 52p. **Platon** moved up 7 to 195p in response to the good interim figures and acquisition news, but **Nash Industries**, a good market last week on asset injection hopes, encountered occasional profit-taking and reacted 15 to 116p. Speculative buying left **Lawtex** 7 higher at 63p, while **Redfearn Glass**, still reflecting speculation about the IEP Securities stake, rose 5 more to 293p.

Weekend Press mention helped **Caffyns** rise 9 to 208p but did little for **British Car Auction** which gave up an early gain of 3 to close a net 4 down at 175p. Further speculative interest in a thin market pushed **Western Motor** up 5 more to 165p, while USM-listed **Laidlaw** advanced another 5 to 78p. Small irregular movements among Component manufacturers included **Dowty**, *around 2½ better at 218p*, and **Lucas Industries**, 2 off at 460p.

Fresh support of **William Collins** was touched off by an investment recommendation and the "A" *shares* jumped 20 more to 341p. **United Newspapers**, on the other hand, encountered profit-taking and gave back 10 of Friday's rise of 22 at 368p. Advertising Agencies pursued divergent trends with **Saatchi and Saatchi** maintaining a strong profile ahead of Thursday's preliminary statement to end 6 higher at 685p. **Yellowhammer** moved up 5 to 143p and **Valin Pollen** recovered 5 to 160p. Awaiting today's *first-half* figures, **J. Michael Design** picked up 3 to 71p. In contrast, **Charles Barker** slipped 5 to 108p and **Lopex** lost the same amount at 128p. Expansion prospects aroused demand for **Barham**, 4 better at 155p.

The Property leaders turned easier as bid speculation waned, **MEPC** slipped 4 to 354p, as did **Land Securities**, to 343p. **British Land** firmer initially following Press comment, gradually eased back to close 4½ cheaper at 193p, while **Great Portland Estates** *settled a similar* amount off *at 196p*. **Marler Estates** gave up 6 at 587p, while **Imry**, still awaiting the outcome of bid discussions, lost 18 at 390p. **Abaco** were a shade easier at 64½p following acquisition news, but **Lynton** rose 10 to 323p in reply to the good half-year figures. **Grainger Trust** rose 10 to 615p and **Parkdale**, interim results due on Friday, added a penny to 87p, after 88p.

P & O were one of the few Alpha stocks to resist the weakness. Having under-performed recently, the stock responded strongly to the possibility that the group was in discussions with Nomura regarding a share listing in Tokyo. Turnover increased to 1.4m shares and P & O were finally a net 12 higher at 516p.

After-the-event selling took a toll on selected Textiles. **Courtaulds** retreated 6 to 317p, **Lister** gave 8 at 127p and **Drummond** dropped 10 to 139p, the last-named despite good interim figures and a confident statement. **R. Smallshaw Knitwear**, however, continued to prosper from Friday's mid-term results and closed 6 up at 79p, while **Sekers** gained 4 to 109p.

London and Strathclyde highlighted Investment Trusts, rising 6 to 178p on news that Equitable Life Assurance and a subsidiary company had acquired a 20.6 per cent share stake and nearly 15 per cent of the total voting rights. **TR Industrial and General** were quoted ex the scrip issue at 109p. Among Financials, **NMC Investments** moved down 8 to 190p on profit-taking, but **J. T. Parrish** picked 7 at 320p.

Oils Steady

The oil sector held up surprisingly well in the face of the marked weakness of UK and US markets. An early mark down of the leaders triggered widespread small buying interest and most issues picked up *to close showing minor changes on* the day, helped by a resolute performance by oil prices.

Shell dipped 7 to 932p but **BP**were 2 harder at 675p. **Burmah** lost 1½ to 354½p.

A number of the secondary issues attracted good interest. Favourable comment in the weekend Press and talk of a share split to be announced at the company's annual meeting initially boosted high-flyer **Conroy Petroleum and Natural Resources** to 600p before profit-taking left the shares a net 10 lower at 555p.

Carless Capel edged up a penny to 63p in the wake of Press comment while news that Mr Li Ka-Shing, the Hong Kong businessman, has taken a 4.9 per cent stake in **Cluff Oil** lifted the latter 6 to 54p after a 1986 high of 55p; **Cluff Oil Warrants** put on a penny to 12p.

Elsewhere, **Century Oil**, recently the subject of widespread bid rumours, rose 3 to 126p and **Industrial Scottish Energy** a similar amount to 88p. **Triton Europe** and **Great Western Resources** dipped 5 apiece to 136p and 50p respectively.

Market trading conditions were against a favourable reception of **Polly Peck's** annual results and the shares lost 8 to 182p despite a 15 per cent increase in profits plus a proposed one-for-five scrip issue.

South African sectors of mining markets surged ahead for the fifth successive trading session and attained their best levels since October 9, following a substantial increase in activity in the bullion *market*.

The gold price, which performed strongly in the US on Friday, advanced throughout the morning in London trading and broke through the $400 at one point before sliding back to close only $2.75 up on the day.

Heavy buying interest in the morning was attributed to the renewed weakness of the dollar while profit-taking was said to have been responsible for the decline in the afternoon. The Gold Mines index put on 17.3 to 331.8.

Gold shares advanced across a broad front in the early and middle parts of the day before running out of steam after-hours. Nevertheless the majority were left with outstanding gains, especially the heavyweights where **Vaal Reefs** *jumped almost £3 to £60⅛*, **Randfontein** £2 to £63½ and **Western Deep** £1¼ to £29. **Freegold** raced up *106 to 841p*, **Kloof** *put on 39 to 574p* and **Doornfontein** 28 to 828p.

New highs for the year were recorded by **Beatrix**, 10 firmer at 273p and **East Daggafontein**, 32 to the good at 302p.

Platinums and Financials improved in sympathy with Golds. In the former sector **Impala** settled 42 higher at 767p and **Rustenburg** added 47 to 737p.

Amgold outperformed the rest of the financials issues and moved up £3¼ to £54¾. **GFSA** edged up ⅜ to a 1986 high of £10⅛ and **OFSIL** rose a like amount to £21½. Diamond producer **De Beers** put on 7 to 540p.

The UK-registered **Consolidated Gold Fields** initially rose to 668p, on buying stimulated by the early strength in the bullion price, but profit-taking and a weak showing by UK equities prompted a late decline which left the share price a net 13 down at 650p. **Rio Tinto-Zinc** drifted back to end the session 5 easier at 663p.

Traded Options

Shocks news of the DTI investigation at **Guinness** induced considerable traded options activity in the shares and, by the close of business, 4,074 calls and 1,393 puts had been arranged in the stock out of a grand total of 24,927—16,232 calls and 8,695 puts. **Grand Metropolitan** were also fairly active with 1,779 calls and 466 puts done.

Traditional Options

- First dealings
  Nov 17 Dec 1 Dec 15
- Last dealings
  Nov 28 Dec 12 Jan 2
- Last declaration
  Feb 19 Mar 5 Mar 19
- For Settlement
  Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Money was given for the call of **European Ferries, Trusthouse Forte, Dares Estates, TV-am, Skyline, Alpine Soft Drinks, Helical Bar, Amstrad, Acorn Resources, Bristol Channel, Berkeley and Hay Hill, Wordplex, Abaco**, *Audiotronic*, **Sound Diffusion, Johnson and Firth Brown, J. Billam, Arenson, Allied Textile, Horizon** and **Polly Peck. H. Young** were dealt in for the put, while a double option was arranged in STC.

FINANCIAL TIMES STOCK INDICES

	Dec. 1	Nov. 28	Nov. 27	Nov. 26	Nov. 25	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.13	81.75	81.77	81.08	81.11	83.96	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.38	88.55	88.55	88.34	88.29	89.38	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,272.5	1,292.2	1,286.0	1,286.3	1,270.4	1,124.4	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	331.8	314.5	302.2	299.7	295.2	272.7	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.47	4.41	4.44	4.44	4.48	4.36				
Earnings Yld.% (full)	10.38	10.26	10.31	10.28	10.36	10.84				
P/E Ratio (net) (*)	11.76	11.91	11.84	11.88	11.81	11.38				
SEAQ Bargains (5pm)	29,647	28,875	28,696	25,721	25,600	—				
Equity Turnover (£m)	—	1,146.02	750.20	1,259.76	983.167	477.63				
Equity Bargains	—	36,392	34,056	38,101	37,536	24,864				
Shares Traded (ml)	—	362.1	355.9	427.0	370.3	220.7				

S.E. ACTIVITY

Indices	Nov. 28	Nov. 27
Gilt Edged Bargains	128.2	147.9
Equity Bargains	235.8	220.7
Equity Value	2316.4	1516.3
5-Day Average		
Gilt Edged Bargains	141.6	147.0
Equity Bargains	236.9	246.6
Equity Value	2059.3	2098.8

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1292.2	1291.2	1280.0	1279.4	1277.0	1276.3	1273.0	1272.2

Day's High 1293.1. Day's Low 1270.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.29.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (112)
BRITISH FUNDS (1), AMERICANS (3), BANKS (4), BUILDINGS (6), CHEMICALS (3), STORES (4), ELECTRICALS (2), ENGINEERING (5), FOODS (3), HOTELS (2), INDUSTRIALS (15), INSURANCE (3), LEISURE (2), MOTORS (3), NEWSPAPERS (2), PAPER (3), PROPERTY (2), SHOES (2), TEXTILES (2), TRUSTS (35), OILS (2), OVERSEAS TRADERS (3), MINES (6).

NEW LOWS (15)
CANADIANS (1) Rio Algom, BANKS (1) Morgan Grenfell, STORES (1) Tip Top, ELECTRICALS (4) Britec, Fletcher Dennys, Murray Tech, Northamber, FOODS (2) Alpine Soft Drinks, Nichols (Vimto), Wold, INDUSTRIALS (2) Fergebrook, [illegible], LEISURE (1) Media Tech Int, SHIPPING (1) Sea Containers, OILS (1) Oilfield Insp Services.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,100	149	−3
Allied Lyons	633	303	−6
BAT	1,000	451	−3
BOC	752	340	−2
BTR	6,000	265	−10
Barclays	597	469	−5
Bass	203	727	−11
Beecham	478	416	−3
Blue Circle	140	646	−6
Boots	3,100	231	−3
Brit. Aero	1,400	498	—
Britoil	1,900	149	+½
BP	2,600	675	+2
Brit. Telecom	2,200	194	−3
Burton	1,400	262	−5
Cable & Wire	661	322	−3
Cadbury Schwps.	3,100	180	−2
Coats Viyella	379	452	−8
Comm. Union	996	257	−4

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	12	94	7
Corporations, Dominion and Foreign Bonds	0	17	52
Industrials	319	601	609
Financial and Properties	145	186	248
Oils	30	38	44
Plantations	1	4	9
Mines	88	12	82
Others	76	78	71
Totals	671	1,010	1,122

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday December 1 1986

Figures in parentheses show number of stocks per section

FIXED INTEREST

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

Dec. 1	Price Sch.	+ or −
Credit'nst'lt pp	2,300	−10
Goesser	3,350	−20
Interunfall	13,750	+100
Jungbunzlauer	11,600	−100
Laenderbank	2,195	−15
Perlmooser	610	+5
Steyr Daimler	188	....
Veitscher Mag	11,000	....

BELGIUM/LUXEMBOURG

Dec. 1	Price Frs.	+ or −
B.B.L.	3,150	+50
Banq. Gen. Lux.	15,100	....
Banq. Int. A.Lux.	14,900	−100
Bekaert	11,100	....
Ciment CBR	3,985	+55
Cockerill	134	−4
Delhaize	2,750	−50
EBES	4,825	+25
Electrobel	14,925	....
Fabrique Nat	1,940	−10
GB Inno BM	8,720	....
GBL (Brux)	3,710	....
Generale Bank	6,130	+30
Gevaert	6,200	....
Hoboken	7,600	+60
Intercom	3,845	+15
Kredietbank	4,210	+40
Pan Hldgs.	10,640	−10
Petrofina	9,550	+40
Royale Belge	29,448	+5
Soc. Gen. Belge.	3,300	+40
Sofina	11,975	....
Solvay	8,500	+40
Stanwick Intl	188	....
Tractionel	6,400	−80
UCB	8,800	....
Wagons Lits	5,410	+30

DENMARK

Dec. 1	Price Knr %	+ or −
Baltica Skand	640	....
Cop Handels'nk	250	+1
D. Sukkerfab	347	....
Danske Bank	296	+2
East Asiatic	160	−10
Forenede Brygg.	1,000	+5
GNT Hld	315	−3
I.S.S.B	710	+10
Jyske Bank	474	....
Novo Inds *	227	−2
Privatbanken	237	+1
Sophus Berend.	730	....
Superfos	132	+1

FINLAND

Dec. 1	Price Mka	+ or −
Amer	179	−1
KoP	44.7	−0.3
Kone	200	−5
Finnish Sugar	88	+0.8
Nokia	135.5	−2.5
Pohjola "B"	83	....
Rauma-Repola	19.5	....
Stockmann "B"	136	....
UBF "C"	28.4	....
Wartsila (S11)	156.5	+0.5

NETHERLAND

Dec. 1	Price Fls	+ or −
ACF Holding	64.5	−0.5
AEGON	88	−1.6
Ahold	114.2	−1.8
AKZO	161.4	−2
ABN	550	−5.5
AMEV	74.6	−1.4
AMRO	94.6	−0.6
Bredero Cert	77	−1
Bos Kalis Westm	9.1	−0.3
Buehrmann Tet.	230	−2.5
Calland Holdings	19.6	....
Dordtsche Pet'm	193.6	−1.2
Elsevier-NDU	252	−0.5
Fokker	55.5	....
Gist Brocades	53	+2.2
Heineken	178	−2.3
Hoogevens	43	−0.7
Huntr Doug NN	62.3	+0.9
Int. Mueller	74	−3.3
KLM	46.4	−0.8
KNP	158	−0.6
Naarden	90	....
Nat Ned Cert	80.7	−0.6
Ned Mid Bank	209	−2
Nedlloyd	179.5	−2
Oce Grinten	482	+3
Ommeren (Van)	34.5	−1.2
Pakhoed	72.5	−0.5
Philips	46.5	−0.5
Robeco	93.5	−0.2

GERMANY

Dec. 1	Price Dm.	+ or −
AEG	323	−7
Allianz Vers	2,340	−15
BASF	273	−1
Bayer	314.5	−2.5
Bayer-Hypo	577	−18
Bayer-Verein	530	−10
BHF-Bank	545	−1
BMW	596.5	−5.5
Brown Boveri	305	+9
Commerzbank	322	−0.5
Cont'l Gummi	356	−7.2
Daimler-Benz	1,325	−19
Degussa	464.5	+1.5
D'sche Babcock	207	−1.5
Deutsche Bank	850.5	−1.5
Dresdner Bank	417	−3
Feld-Muehle Nbl	297.9	−0.6
Henkel	491.5	−1
Hochtief	990	−10
Hoechst	267	−0.3
Hoesch werke	123.5	....
Holzmann (P)	611	−10
Horten	262	−1
Husael	640	−15
Karstadt	511	−9
Kaufhof	558	−4
KHD	172.5	+1.9
Kloeckner	69.2	−0.7
Linde	769	−9
Lufthansa	168	....
MAN	237	−1
Mannesmann	190	−2
Mercedes Hld.	1,140	−41
Metallgesell	519	....
Muench Rueck	2,500	+30
Nixdorf	713.5	−0.5
Porsche	1,042	+12
Preussag	191	−3.5
Rhein West Elect	237	−4
Rosenthal	390	−10
Schering	665	+0.5
Siemens	733	−7.5
Thyssen	147.9	+2.4
Varta	394	+4
Veba	289	+3.8
V.E.W.	159	+2
Verein-West	476	....
Volkswagen	427	−13

ITALY

Dec. 1	Price Lira	+ or −
Banco Com'le	23,650	−450
Bastogi-IRBS	705	−15
Centrale	3,370	....
C.I.R.	7,485	+135
Credito Italiano	3,275	−65
Fiat	14,220	−80
General Assicur.	130,000	−3000
Italcementi	72,000	−900
La Rinascenten	975	−25
Montedison	3,005	+5
Olivetti	13,300	−500
Pirelli Co.	6,980	−20
Pirelli Spa	4,960	−39
Saipem	4,735	−60
Snia BPD	4,850	−30
Toro Assic	31,600	−300

FRANCE

Dec. 1	Price Frs.	+ or −
Emprunt 4½% 1975	1,626	−4
Emprunt 7% 1973	8,604	+104
Accor	479	+2
Air Liquide	695	+20
BIC	740	+21
Bongrain	2,550	+40
Bouygues	1,279	+19
BSN Gervais	4,330	+47
CIT Alcatel	2,120	−18
Carrefour	3,741	+1
Club Mediter'n	685	+9
Cie Bancaire	1,070	−5
Cofimeg	410	+5
Damart	2,275	+10
Darty	488	....
Dumez S.A.	1,880	+5
Eaux (Cie Gen)	1,349	+69
Elf Aquitaine	308	....
Essilor	3,628	+13
Gen.Occidentale	1,001	−5
Imetal	83	+6.1
Lafarge Coppee	1,482	+7
L'Oreal	3,799	+11
Legrand	5,290	−30
Maisons Phoenix	204	+3.5
Matra S.A.	2,490	+14
Michelin B	2,525	+65
Midi (Cie)	1,702	+12
Moet.Hennessy	2,465	+15
Moulinex	82	....
Nord Est	187.8	+4.8
Pernod Ricard	1,070	+30
Perrier	794	−11
Petroles Fra	386	−16
Peugeot S.A.	1,165	....

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

JAPAN

JAPAN (continued)

SINGAPORE

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices December 1

MONTREAL

Closing prices December 1

Indices

NEW YORK — DOW JONES

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

TORONTO

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 39

LONDON Chief price changes (in pence unless otherwise indicated)

RISES		
Tr 13½% '04-08	£118⅞	− 1⅜
Ex 12% '13-17	£111⁷⁄₁₆	− 1⁷⁄₁₆
Caffyns	208	+ 9
Cluff Oil	54	+ 6
Collins (Wm) A	341	+20
Daks Simpson A	415	+30
London & Strath	178	+ 6
P & O Defd	516	+12
Platon Intl	195	+ 7
Smallshaw (R)	79	+ 6
Tilbury	208	+18
Toye	145	+29
United Leasing	188	+ 6
VSEL Consor	180	+20
Western Motor	165	+ 5
Yellowhammer	143	+ 5

FALLS		
BTR	265	−10
Barker (HAS)	108	− 5
Courtlands	317	− 6
Drummond	139	−10
GEC	179	− 5
Grand Met.	474	− 8
Guinness	295	−35
Lister	127	− 8
Morgan Gren	368	−26
NMC Invs.	180	− 8
Nash Inds.	116	−15
Polly Peck	182	− 8
Trusthouse	178	− 5
United News	368	−10

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	16	AAR s	.44	1.9	18	378	23¾	23⅜	23½	
30	21¾	ADT	.92	3.5		1225	26½	26⅛	26⅜	−⅛
33	15⅝	AFG s	.12i	.4	14	55	28⅝	28⅛	28⅜	+⅜
25½	16¾	AGS			16	146	25	24⅝	25	+¼
15	7¾	AMCA				8	7⅞	7⅞	7⅞	+⅛
62⅛	39¼	AMR			13	7646	58	56½	57⅜	−¾
27½	23¾	ANR pf 2.67		10.		2	25⅝	25⅝	25⅝	
24¾	20⅛	ANR pf 2.12		8.8		4	24	24	24	
18¾	10	ARX	.71t	6.5	10	252	11	10¾	11	
41½	28¾	ASA	2a	5.4		704	38	36¾	37⅜	+⅝
18⅜	9¼	AVX		2.7		195	12⅜	11⅞	12	−¼
32	25½	AZP	2.72	9.5	9	1012	29	28¾	28¾	−⅜
55	30¼	AbtLb s .84		1.8	21	5532	47	46	46⅜	−¾
32	24⅛	AccoWd.56		2.1	17	215	27	26¾	26¾	−¼
14⅞	9	AcmeC .40		3.8		113	10⅝	10¼	10½	
9¼	6⅛	AcmeE.32b		5.1	16	60	6⅜	d	6⅛	6¼
23⅞	17½	AdaEx 4.45e		22.		122	20⅝	20⅜	20½	−¼
33⅜	19⅛	AdmMl .48		1.7	13	21	27¾	27¾	27¾	
20⅝	12⅛	AdvSyst.45t		9.2	14	25	15¾	15⅛	15¾	+¼
32⅞	12⅞	AMD				3410	16¾	15¼	16¾	+1⅛
12⅝	5¼	Adobe				22	6	5⅞	6	
18⅝	13¾	Adob pf 1.84		11.		2	16⅜	16¼	16¼	−⅛
20¼	16⅜	Adob pf 2.40		14.		20	17¾	17½	17⅝	−⅛
16⅝	10	Advest .12a		.9	10	x132	13¾	13¼	13¾	+⅛
66¼	49⅞	AetnLf 2.64		4.5	9	7231	59¾	57⅜	58½	+¾
55¾	51½	AetL pf3.94e		7.5		41	52¾	52¾	52¾	−⅛
70	34⅞	AflPb s .44		.6	33	76	69	68¾	68⅞	+⅛
28¾	13	Ahmnss .46		2.3	6	3826	20	19⅝	20	−¼
5¾	2¾	Aileen			45	28	3¼	3⅛	3⅛	
41⅝	29⅛	AirPrd s .80		2.2	453	3284	36¾	35¾	36¼	−¼
32	16	AirbFrt .60		2.2	19	1258	27¼	26¾	27	−½
20⅝	18½	Airlse n				24	18⅞	18⅞	18⅞	
2	¼	AlMoanl.60c				61	7-16	13-32	13-32	
10¾	8	AlaP dpf.87		8.5		14	10¼	10¼	10¼	

[illegible]

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
34¼	22⅝	UtilCo 1.48b		4.7	11	55	31⅞	31½	31½	−⅜
27	21¾	UtilCo pf2.44		9.3		1	26⅜	26⅜	26⅜	+⅛
29⅝	23¼	UtilCo pr2.61		9.0		1	28⅞	28⅞	28⅞	−⅛
37⅝	33⅛	UtilCo pf4.13		12.		12	34¼	33½	33½	−½
		V V V								
36	24	VF Cp s	.72	2.1	15	785	34⅝	33⅞	33¾	−½
14¼	6⅝	Valero				184	8½	8¼	8⅝	
25⅜	18⅞	Valer pf3.44		15.		41	23	22⅞	22⅞	−¼
3	1¼	Valeyin			31	15	1⅜	1¼	1¼	

Continued on Page 37

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, *but not the latest trading day*. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Late rally recovers lost ground

STAGING a late afternoon rebound, Wall Street stock prices ended yesterday only fractionally down on the day after posting large initial losses because of a weak bond market and dollar and sharply lower stock index futures, *writes Roderick Oram in New York.*

The renewed decline in the dollar put pressure on bond prices abroad and then in the US with falls of up to ½ a point before recovery later.

The Dow Jones industrial average closed down 1.55 at 1,912.68. The New York Stock Exchange composite index was off 0.18 at 142.39, with 962 issues declining and 638 advancing on moderately heavy volume of 134.6m shares.

Some slippage from the 1,900 level of the Dow was widely expected because of seasonal factors, the political uncertainty in Washington and some technical pressure on stocks in the coming weeks.

A rally in the last hour brought almost a full recovery as stock index futures began trading at a premium to the underlying shares which triggered buy programmes in the shares. The upturn was felt to be highly technical and lacking in conviction.

Among blue chip prices in early afternoon, IBM was off $¼ to $127¾, AT&T eased $⅛ to $27, Du Pont fell $⅝ to $88¾, Eastman Kodak fell $⅜ to $67½, McDonald's lost $¼ to $63¼ and Sears Roebuck gained $½ to $44½.

General Motors Class E *shares fell* $5 to $26⅝ on volume of more than 750,000 shares after it had announced it would buy back the Class E shares of Mr Ross Perot, the founder of GM's EDS computer services subsidiary, and other EDS executives. Mr Perot is also resigning as *a director of GM and chief executive of* EDS. GM's common shares lost $1½ to $71⅞.

Coca-Cola declined by $¾ to $35⅞. It said it would take a $180m restructuring charge in the fourth quarter, offset by a $376m pre-tax gain from the proceeds of its sale of Coca-Cola Enterprise shares. Enterprise's shares slipped $¼ to $15¼.

On the takeover front, American Brands, up $⅛ to $45, began its $66-a-share tender for Chesebrough-Pond's, which rose $3⅛ to $68⅝ amid market rumours that it was seeking a white knight to thwart American Brands' bid.

Carter Hawley Hale, the stores group, rose $1⅜ to $54¼. A tender offer at $55 a share was begun by a partnership of The Limited, another stores group, which was unchanged at $32½, and Mr Edward DeBartolo, a shopping centre developer.

The weakening dollar depressed US bond prices abroad which in turn pushed down prices on Wall Street. A recovery during the day left the price of the 7.50 per cent benchmark Treasury *long bond up* $\frac{1}{32}$ *of a point on* the day at 101⅛ at which it yielded 7.40 per cent.

Three-month Treasury bills gained two basis points to 5.41 per cent, six-month bills gained three basis points to 5.44 per cent and year bills gained five basis points to 5.49 per cent. The main economic figure released yesterday was the November level of the purchasing manager's composite index. It was down slightly from October, but the new order component rose for the fourth consecutive month indicating that the manufacturing sector is not weakening as some people in the bond market had expected. A fall-off in demand could have brought lower interest rates and higher bond prices.

A number of other important economic figures will be released this week, beginning with October's leading economic indicators today. A modest rise of *perhaps 0.2 per cent or 0.3 per cent from* September's figure is expected although the gain will hinge more on such factors as money supply and higher commodities prices rather than factors linked directly to economic growth such as new orders.

Other important figures will be *new* home sales and car sales, released tomorrow, durable goods and manufactured goods on Thursday and employment figures on Friday.

The weakening dollar has probably reduced the chances of the Federal Reserve easing its policy in the near term, analysts believe. The Fed entered the market yesterday to make $2bn of customer repurchases when the Fed funds rate stood at 6⅛ per cent. It rose subsequently to 6½ per cent.

LONDON

A WAVE of selling of Guinness shares hit the London market yesterday on the news that the UK Department of Trade plans an inquiry into the brewing group. Its shares fell 35p to 295p.

The upset *rippled through the market* and the FT-SE 100 index fell 18.9 to 1,617.8. The FT Ordinary share index was 19.7 down at 1,272.5 by the close.

Losses among blue chips included a 10p fall by BTR to 265p, and a 5p drop by GEC to 179p. Grand Metropolitan, which rose last week, lost 8p to close at 474p.

Elsewhere P&O firmed 12p against the trend to close at 516p.

The fall in sterling and the dollar weakened gilts early in the session. However, they ended ½ point above the day's lows as some buying emerged to balance selling.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34–35

HONG KONG

STRONG DEMAND for blue chips from local and foreign institutions lifted Hong Kong to another record despite some late profit-taking.

The Hang Seng index closed 33.40 higher at a peak 2,452.15 after rising more than 50 points earlier in the session.

Jardine Matheson, which announced a major restructuring last week, added 80 cents to close at HK$23.60, while its affiliate Hongkong Land added HK$1.90 to HK$8.75. Trading in both groups was suspended during Friday's session.

Among other properties Cheung Kong rose HK$1.25 to HK$36.00 and SHK was 10 up at HK$18.40.

SINGAPORE

UNCERTAINTY over the loan scandal at the Bank of Brunei continued to subdue Singapore, although bargain hunting gave a boost to some prices.

The Straits Times industrial index closed 4.94 up at 871.83.

Among actives OCBC rose 20 cents to S$9. Other banks were also *higher* including DBS, which added 15 cents to S$8.75 and OUB rose 4 cents to S$3.45.

Elsewhere, Straits Trading added 8 cents to S$3.45 and SIA was up 5 cents to S$9.10. Genting rose 10 cents to S$5.75, while Sime Darby fell 2 cents against the trend to S$1.78.

AUSTRALIA

A FIRMER local currency and higher bullion prices helped Sydney to continue its rising trend and the All Ordinaries index ended 5.9 higher at 1,385.5.

Golds and other mining stocks made good gains during the session including Kidston and Central Norseman which each added 20 cents to A$7.70 and A$13.50, respectively. CRA rose 8 cents to A$7.04 and MIM 11 cents to A$2.50.

Against the trend oils and gases showed marginal falls including Santos, down 2 cents to A$3.98.

CANADA

GAINS WERE SEEN among some golds and utilities in Toronto but *most other* sectors traded generally lower.

Among the golds Goliath traded C$¾ up to C$19¾ while Lac Minerals lost C$1⅛ to C$27¾. Other mines included Dome which was steady at C$11¼, and Noranda, also unchanged, at C$20⅞.

Elsewhere Canadian Imperial Bank of Commerce traded C$¼ down at C$19¾.

Montreal was lower in all sectors although falls among utilities were marginal.

SOUTH AFRICA

THE RISE in the bullion price boosted golds in Johannesburg, while other sectors closed mixed.

Among golds Buffels scored a R3 rise to R89 and Driefontein edged up 50 cents to R72. Other minings included De Beers, which was unchanged at R36, Rustenburg Platinum, which added R1.75 to R46.75. Mining financial Anglo American rose R1 to R68.50. Mining financial Anglo American rose R1 to R68.50.

Among industrials Barlow Rand was 85 cents higher at R20.

EUROPE

Dollar's fall strikes a chilly note

THE FALLING DOLLAR stopped most of the European bourses in their tracks yesterday as investors became concerned over export-oriented and currency-sensitive issues.

Frankfurt opened higher but the *warmer tone was chilled by the fixing of* the US currency at DM 1.9611, its lowest in almost six years. The midday calculation of the Commerzbank index reflected the early firmness with its rise of 2.1 to 2,073.3.

The later sell-off began in the car and *electrical sectors as Daimer dropped* DM 19 to DM 1,325 after an opening fall of DM 6.

VW was also badly hit by its DM 13 drop to decline to DM 427, while BMW at DM 598.50 was DM 5.50 cheaper. Porsche, which sells more than half of its production in North America, moved against the tide with its DM 12 rally to DM 1,042.

AEG suffered a sharp DM 7 markdown to DM 323, while Siemens at DM 733 was DM 8.50 cheaper.

Corporate results, announced or pending, provided a few features with Deutsche Bank, due to report 10-month figures tomorrow, traded up to DM 862 before closing a net DM 1.50 down at DM 850.50.

Veba, the partly privatised energy group, touched DM 296 on its firmer nine-month figures before finishing the day a net DM 4 higher at DM 289.

The bond market ended narrowly mixed with longs showing moves of up to 20 basis points. The fall in the dollar attracted some isolated foreign support in the hope that the Bundesbank would intervene or a technical recovery would be triggered from its recent fall.

The Bundesbank bond market balancing operation amounted to sales of DM 21.8m of public paper compared with sales of DM 153.8m on Friday. The average yield on public authority paper slipped one basis point to 5.86 per cent.

Paris totally ignored the weaker dollar and concentrated more on domestic factors such as a survey by the Paris Chamber of Commerce forecasting higher corporate profits for next year.

Electronics dominated the session with Alsthom jumping FFr 9 to FFr 326 on news of its FFr 3bn contract in India. Thomson CSF scored a FFr 27 gain to FFr 1,643.

Begin-Say led the food sector higher with its FFr 29 jump to FFr 542 on hopes of higher 1986 earnings. BSN managed a FFr 47 rally to FFr 4,330 and Moët-Hennessy closed FFr 15 higher at FFr 2,465.

Oil remained subdued with Total CFP down FFr 16 at FFr 386.

Amsterdam moved lower in thin trading on fears of possible central bank intervention to support the guilder. Wall Street's steep opening losses did little to inspire confidence. A late sell-off trimmed Fl 1.90 off Royal Dutch to Fl 204.60, while Akzo retreated Fl 2 to Fl 161.40.

Declines of 50 cents each were recorded by Philips at Fl 46.50 and Unilever at Fl 506.50.

Brussels was little changed in hesitant trading, while **Stockholm** hit a two-month low on concern over credit market rates, with 60-day Treasury bills jumping 75 basis points.

Milan faced steady selling pressure fueled by fears of a political crisis and by technical factors.

Zurich eased after a two-week rally, while communications led **Madrid** lower again.

TOKYO

Downturn in equities on price fears

LATE ANXIETY over precariously high prices drove equities lower for the first time in four sessions in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei market average shed 17.52 from last Saturday to 18,307.98, with turnover remaining high at 548m shares. Volume had, however, decreased from last Friday's 605m shares. Advances led declines by 491 to 372, with 112 issues unchanged.

The key market barometer had surged a total of 597 points in the last three days of last week on buying of blue-chip stocks, sparked by mounting expectations for still higher prices towards the end of the year. On Friday, it crossed the 18,000 barrier again.

The market's strength was helped by small-lot buying by institutional investors who had kept their distance since early October.

The session opened firmer yesterday, *as institutionals* bought a broad range of issues. But investors began to worry about technical corrections to the upsurge last week, pushing down equities in late trading.

Some big capitals strengthened. Nippon Kokan topped the active stock list, *with 25.38m shares, gained Y7 to Y182* and Mitsubishi Heavy Industries rose Y8 to Y2,370 and Sankyo Y40 to Y1,560.

Electric powers soared across the board. Tokyo Electric Power, also active, surged Y370 to Y7,950, while Kansai Electric Power rose Y120 to Y3,490.

Sharp falls in share prices have prompted the Bombay Stock Exchange to introduce tough restrictions on trading from today. Exchange authorities have banned the facility of carrying forward outstanding positions in 63 stocks and have fixed Monday's closing prices as a floor. On Monday the BSE index of 30 leading shares fell 17 to a low for the year of 482.41.

Matsushita Electric Industrial was also favoured. It was the second busiest stock with 18.60m shares traded and ended Y40 up at Y1,950 after climbing to Y2,000 at one stage. It hit an all-time high of Y2,030 in 1984.

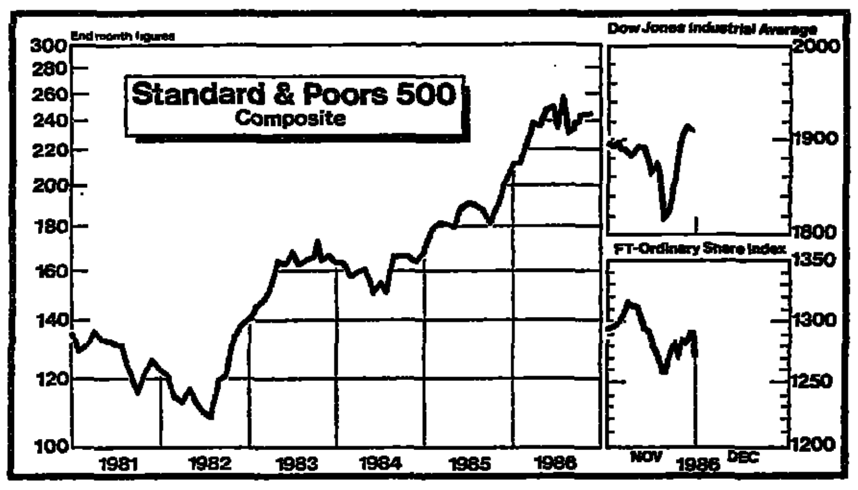
Good results boosted Tokyo Gas, which gained Y22 to Y1,010 on the third largest volume of 13.93m shares.

Despite the lack of fresh incentives, Tokyo Electric Power was sought by institutionals and individuals following buying by banks, said an official at one of the large securities houses. Another official cited its low price relative to that of Nippon Telegraph and Telephone Corp (NTT), of which shares will be offered to the public for Y1.19m per share. Tokyo Electric Power recently moved into the communications market and is regarded as NTT's main rival.

Bonds dropped, reflecting investor concern about successive rises. The yield on the popular 5.1 per cent government bond due in June 1996 moved up from last Saturday's 5.360 to 5.390 per cent.

The issue had followed an uptrend on continued buying by dealers since mid-November, in association with the firmness of bond futures. Futures for March delivery soared steadily from Y102.78 on November 11 to Y104.33 last Saturday, while the yield dropped from 5.567 to 5.335 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Dec 1	Previous	Year ago
DJ Industrials	1,912.68	1,914.23	1,472.13
DJ Transport	844.83	845.91	690.31
DJ Utilities	211.48	213.00	164.03
S&P Composite		240.22	202.17
LONDON			
FT Ord	1,272.50	1,292.2	1,124.4
FT-SE 100	1,637.9	815.34	1,439.1
FT-A All-share	807.41	815.34	688.02
FT-A 500	883.38	892.41	755.32
FT Gold mines	331.8	314.5	272.7
FT-A Long gilt	10.76	10.61	10.28
TOKYO			
Nikkei	18,307.98	18,083.0	12,763.3
Tokyo SE	1,514.76	1,490.90	1,006.50
AUSTRALIA			
All Ord.	1,385.5	1,379.6	990.6
Metals & Mins.	681.2	671.2	490.6
AUSTRIA			
Credit Aktien	234.30	234.22	230.81
BELGIUM			
Belgian SE	4,028.91	4,022.61	2,965.07
CANADA			
Toronto			
Metals & Minls	2,066.30	2,099.83	1,930
Composite	3,045.10	3,021.3	2,857.1
Montreal			
Portfolio	540.28	1,534.31	138.40
DENMARK			
SE	–	–	223.91
FRANCE			
CAC Gen	398.30	394.9	247.5
Ind. Tendance	158.70	156.9	92.0
WEST GERMANY			
FAZ-Aktien	687.17	686.93	583.62
Commerzbank	–	2,071.2	1,725.6
HONG KONG			
Hang Seng	2,452.15	2,418.75	1,716.95
ITALY			
Banca Comm.	712.70	722.68	440.07
NETHERLANDS			
ANP-CBS Gen	284.30	284.0	239.4
ANP-CBS Ind	284.70	283.5	216.7
NORWAY			
Oslo SE	376.93	377.36	397.85
SINGAPORE			
Straits Times	871.83	866.89	–
SOUTH AFRICA			
JSE Golds	—	1,954.0	1,185.9
JSE Industrials	—	1,389.0	1,030.5
SPAIN			
Madrid SE	190.08	191.52	98.17
SWEDEN			
J & P	2,460.81	2,500.07	1,622.74
SWITZERLAND			
Swiss Bank Ind	586.00	588.60	542.2
WORLD	Nov 27	Previous	Year ago
MS Capital Int'l	350.5	347.7	245.6

COMMODITIES

(London)	Dec 1	Prev
Silver (spot fixing)	383.20p	374.95p
Copper (cash)	£924 50	£920.50
Coffee (March)	£1,851.00	£1,880.00
Oil (Brent blend)	$14.675	$14.70

GOLD (per ounce)

	Dec 1	Prev
London	$391.75	$389.25
Zürich	$395.65	$390.25
Paris (fixing)	$401.14	$389.83
Luxembourg	$397.25	$386.00
New York (Feb)	$397.5 *	$394.80

** Indicates latest pre-close figure*

CURRENCIES

	US DOLLAR		STERLING	
(London)	Dec 1	Previous	Dec 1	Previous
$	–	–	1.4380	1.42975
DM	1.9660	1.9730	2.8275	2.82875
Yen	162.20	162.00	233.25	231.75
FFr	6.44	6.4625	9.26	9.265
SFr	1.6375	1.6420	2.355	2.355
Guilder	2.2205	2.2305	3.1925	3.1975
Lira	1,363	1,368	1,960	1,961
BFr	40.80	41.10	58.65	58.90
C$	1.3825	1.3835	1.9880	1.98625

INTEREST RATES

Euro-currencies (3-month offered rate)	Dec 1	Prev
£	11⅛	11$\frac{7}{16}$
SFr	4$\frac{1}{16}$	3.9375
DM	4⅞	4.6875
FFr	8¾	8$\frac{1}{16}$
FT London Interbank fixing (offered rate)		
3-month US$	6$\frac{3}{16}$	6⅛
6-month US$	6⅛	6$\frac{1}{16}$
US Fed Funds	5$\frac{15}{16}$*	6$\frac{3}{16}$
US 3-month CDs	5.80*	5.925
US 3-month T-bills	5.39*	5.53

US BONDS

Treasury		December 1* Price	December 1* Yield	Prev Price	Prev Yield
6⅝	1988	100	6.25	c	c
7⅛	1993	100$\frac{19}{32}$	7.018	c	c
7⅜	1996	100$\frac{14}{32}$	7.186	c	c
7¼	2016	100$\frac{24}{32}$	7.436	c	c

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Dec 1* Return index	Dec 1* Day's change	Yield	Day's change
1–30	159.72	−0.15	6.93	+0.05
1–10	152.05	−0.08	6.61	+0.05
1– 3	142.03	−0.01	6.24	+0.05
3– 5	154.96	−0.10	6.71	+0.04
15–30	187.19	−0.40	7.93	+0.03

Source: Merrill Lynch

Corporate	December 1* Price	December 1* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92.063	6.40	c	c
SCBT South Central				
10⅞ Jan 1993	105.808	9.62	c	c
Phibro-Sal				
8 April 1996	98.631	102.581	c	c
TRW				
8¾ March 1996	102.581	8.34	c	c
Arco				
9⅞ March 2016	108.875	9.007	c	c
General Motors				
8⅛ April 2016	92.375	8.85	c	c
Citicorp				
9⅜ March 2016	98.875	9.487	c	c

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	99–04	99–10	98–24	99–23
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.66	94.68	94.64	94.71
Certificates of Deposit (IMM) $1m points of 100%				
Sept	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	93.92	93.95	93.90	93.97
20-year Notional Gilt £50,000 32nds of 100%				
Dec	107–08	107–18	106–25	108–04

** Latest available figures*

SECTION III

FINANCIAL TIMES SURVEY

The difficulties of diversifying away from oil have still to be faced. In the UK, a continuing campaign to cut energy costs is saving an increasing number of companies large sums of money.

Managing Energy

Drive for efficiency

By Maurice Samuelson

FOR MOST of the world, 1986 has been the year of the "third oil shock," with oil prices diving almost as dramatically as they rose in the two big upheavals of the 1970s.

As oil prices fell, the switch to other energy sources was halted or delayed. In some countries, the energy conservation movement ran out of steam. Budgets for investment in energy efficiency were significantly reduced.

In Britain, the opposite has occurred. Far from writing off energy conservation as a tiresome anachronism, the Government has been pressing on bravely uder the banner of an "Energy Efficiency Year."

Its campaign assumes that:

- Limitations on supply will eventually resume control of the market place.
- Fuel diversification as well as greater efficiency and self-sufficiency by oil consumers will delay the ascendancy of the main oil producers;
- Lower energy costs are a key factor in boosting Britain's industrial competitiveness.
- The energy management and equipment suppliers are sufficiently entrenched to survive short-term fluctuations in energy prices.
- Government has a role to play — mostly by persuasion, but partly by financial intervention.

An authoritative reminder of the limits on world oil consumption appeared in June in British Petroleum's latest annual statistical review. It showed that the world's appetite for energy was still growing despite fluctuating prices and conservation efforts, and that at last year's rate of oil production, existing world reserves are sufficient to last for only another 34 years.

The volatility of the oil market also reflected in separate figures showing that US oil imports, averaging 5m barrels a day, are back at their highest level since 1981. Commenting on them, Harvard University's energy and environmental policy centre called for a tariff on imports to protect consumers against "future oil shocks."

Diversifying away from oil has so far meant greater use of nuclear power, coal and alternative technologies. But 1986 is also the Year of Chernobyl. The disaster in the Ukrainian nuclear power station is severely jeopardising the acceptability of nuclear power in the non-Communist world.

In Britain, where the report of the inquiry into the proposed Sizewell B nuclear power station is expected to appear this month, the Government has started using the energy efficiency campaign as a platform for re-establishing the respectability of the atom.

Taking the Chernobyl backlash by the horns, Mr Peter Walker, the Energy Minister, maintains that Europe would quickly face a "gigantic energy crisis" if it eradicated nuclear power stations.

Although he sees potential for greater energy efficiency and for harnessing the power of wave, wind and sun, he concludes that nuclear power is "the cheapest, cleanest and most economical" way to prevent energy shortages.

Even if Sizewell receives the go-ahead, coal will remain ahead of nuclear power as the major source of primary energy in Britain well into the next century.

Despite the cheaper oil price, the electricity industry this year has foregone the temptation to maximise its full oil-burning potential, the extent of which was demonstrated in the 1983-84 coal dispute.

Instead, the availability of cheaper oil and foreign coal has been used to wring important price concessions from an increasingly efficient British coal industry.

Against this background, industry, commerce, local government and the public at large are repeatedly warned not to slacken in their efforts to create more skilful energy management.

The Prime Minister, Mrs Margaret Thatcher, in a rare statement on the subject, said during a visit to an energy exhibition at Milton Keynes in the summer that everybody had been keen to cut the use of fuel when prices were high. Now that they were temporarily down, she said, "we must be just as cost-cutting conscious because we compete with people who are."

But how much progress is Britain really making? Since the Government took office, the national energy bill has risen from £35bn a year to £37bn. But the Government still sticks to its declared aim of reducing it by some £7bn a year, and rising from the bottom to the top of the "energy saving league."

Mr William Macintyre, director of the Energy Efficiency Office in the Department of Energy, talks of a "groundswell of improvement going on" and points to steadily-rising efficiency in wide sectors of industry.

He is particularly pleased with a new code of practice for the energy efficiency of buildings introduced by his office in conjunction with the British Standards Institution.

Britain's jump to the top of the efficiency "league" was to have been completed by the end of the present parliament. But there are no new figures to indicate whether this has been achieved. As for the £7bn a year savings, according to Mr Walker, they might be realised by the mid-1990s.

The Government's moderate optimism about the limited impact of this year's oil price collapse is shared by some of the people who frequently accuse it of bureaucratic foot-dragging.

Mr Andrew Warren, director of the Association for the Conservation of Energy (ACE), agrees with Mr Macintyre that the UK market for energy management and equipment "has not collapsed despite the drop in the oil price."

The association, founded five years ago, is supported by major companies in a wide range of industries with an interest in energy efficiency, including insulation, electronic systems and controls, building materials and consultancy services.

It carries out quarterly soundings among its members. The last quarterly report, says Mr Warren, was "quite hopeful."

Contrasting his members' morale with that in the North Sea supplies industry, as well as the conservation equipment suppliers on the Continent, Mr Warren said: "It is amazing that they are not full of doom and gloom."

The oil price collapse had caused no failures among ACE members and most were doing better than forecast at the start of the year, especially those which rely on general industry and commerce.

But Mr Warren complains that although the officials of the Energy Efficiency office work hard and have a good esprit de corps, they lack the authority to infuence the whole of Government. He is also cautious about the significance of some of the energy management award schemes.

His association's five-point manifesto calls for:

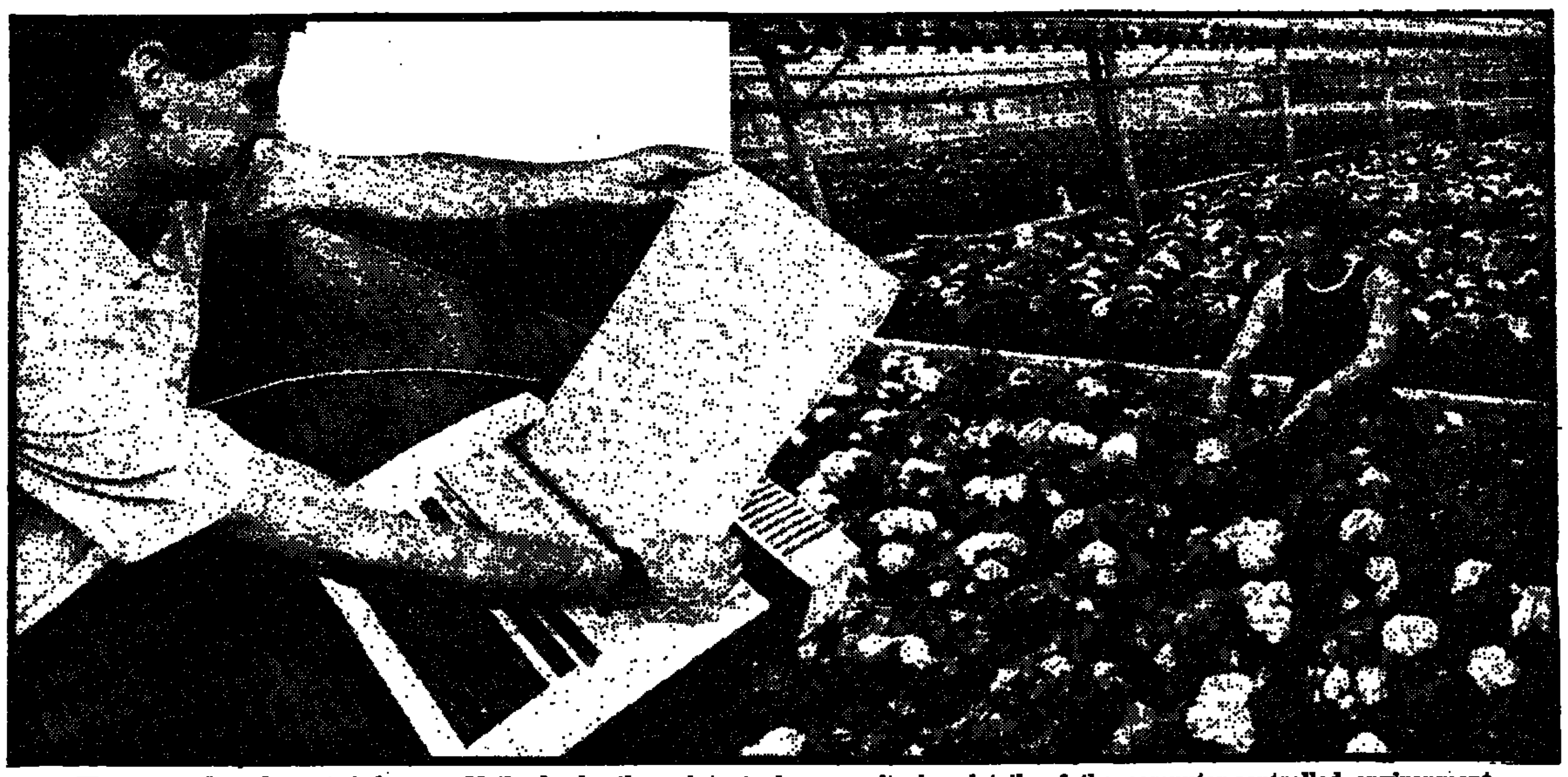
- Tighter building regulations to bring the UK closer in line with minimum standards required in most of Europe.
- Widening the loft insulation grants to include wall insulation and other home improvements;
- Obliging public authorities have to reinvest at least 10 per cent of their annual fuel expenditure in energy saving;
- A national home energy survey scheme like those in the US and Denmark to show householders how they can cut their bills;
- Appplying the same payback criteria to large energy efficient projects to those used for investment in new gasfields or power stations.

Most of these complaints are shared by the House of Commons Select Committee for Energy, which acts as a tireless watchdog on the Government's pledges and performance.

Earlier this year, in its second energy efficiency report in four months, it praised the "first class work" of the Energy Efficiency Office and its assurance of that the 1986 campaign would not be "a year of gimmicks."

But it complained that the Government had not accepted many of its earlier complaints, which had been "ignored, rejected or glossed over."

A lot more will be heard of such complaints when the committee's members break up for the forthcoming general election campaign. Labour, for example, says that if elected it will set up much stronger Government machinery — not merely to promote conservation but to implement the necessary investment.



Flowers under glass at Aalsmeer, Netherlands: the printout gives monitoring details of the computer-controlled environment

Energy analysts

Sources of advice

ENERGY shortages come and go but advice on energy management is always plentiful.

Some of it comes from companies which were specialising in energy matters long before the 1974 world oil crisis. But most — like that available from central Government — stems from the shortages of the 1970s and is provided by companies of fairly recent origin.

The advice comes in various forms and in varied quality. Apart from the information churned out by the suppliers of energy, there are the practical services offered by contract energy managers, such as Emstar, BP Energy and Associated Heat Services. As explained in a separate article, such companies operate — and sometimes lease and install — their customers' heating plants in exchange for a share of the savings realised.

There are also companies which specialise in marketing energy management knowhow, through the printed or the spoken word. In addition, there is the distinct group of consultancies who offer to intervene at the point of sale by handling their customers' energy bills.

One of the most ambitious independent educational programmes in the private sector is that run by Cambridge Information and Research Services (CIRS). Set up in 1975 to supply up-to-date energy information, its growth has accelerated rapidly in recent years with the addition of a publishing arm, using the Energy Publications imprint, and a separate Energy Information Centre.

CIRS says that its services are now used by more than 350 UK industrial, commercial and public sector organisations. According to Mr Andrew Buckley, its director, the CIRS could perform some of the functions of the national Energy Efficiency Office should the Government ever decide to abolish or privatise it.

The CIRS services cover:

● Monthly and quarterly briefings on the industrial energy scene covering fuel prices and their outlook, developments in the supply industries and opportunities for cost cutting.

● A national training programme, organised jointly with the National Energy Management Advisory Committee (NEMAC), to spread knowledge of basic energy management knowhow.

This year, 500 managers have taken part in its courses held in 10 regional centres. Next year, it aims to enrol 2,000 managers for its courses.

● Joint conferences with the Institute of Purchasing and Supply on fuel prices.

● Joint projects with the Energy Efficiency Office, such as a series of technical sales data service booklets highlighting equipment and energy services — more than 150,000 booklets have been distributed to date.

CIRS aims to keep managers generally informed about broad developments in the energy arena, rather than just on the latest daily price movements. Its Energy Information Centre, set up seven years ago, "tries to be the AA of energy users," Mr Buckley says.

Nevertheless, its members can obtain real value from its services and advice. Mr Buckley cites one of them who gleefully announced a saving of £500,000 a year on his industrial gas bill.

For specialised price information, however, the energy user can turn to a different category of companies. These include John Hall Associates, a small but well-established London-based operation; Purchasing Index, which services central and local Government, including the health service, and National Utility Services.

One of the newest, and potentially most influential, members of this group is PREMIS, founded two years ago as part of The Economist Publications. Of its 100 clients about 40 are local authorities; others are business and industrial groups.

Mr Dhiru Tanna, its manager says that PREMIS does not ask customers for a share of savings and relies only on a fixed fee for its income. On the basis of confidential information from its clients, it builds up a picture of the range of prices for various industrial fuels. In exchange, they receive twice monthly reports about the fuel market. From January, it hopes to supply information on a daily basis.

The value of its information reflects the size of the market from which it is obtained. According to Mr Tanna, its data base on gas oil prices represents 13 per cent of UK industrial users. Its gas oil report at the end of October showed users were paying anything from 6.5p per litre to 13.8p.

The oldest and biggest of Britain's tariff analysts is the Croydon-based National Utility Services. Founded in 1933, it has 12 principal offices in every continent, where it gathers comprehensive information on actual prices paid by business users of electricity, gas, oil, coal, water and telecommunications.

With more than 4,500 clients, ranging from banks and insurance companies to brewers, local authorities and universities, National Utility Services, says it receives well over 1m paid bills a year. Most of the savings it wins on electricity bills result from the discovery that clients are not applying for the most beneficial tariff available.

Since so much of its expertise depends on the skills of its analysts, it is not surprising that some of them have set up business on their own.

Two of them, Mr Sandy McKinnon and Mr Roy Clark, did so 11 years ago. Now, with regional offices in Maidstone, Stockport, Edinburgh and Bristol, they claim to be cutting the energy bills of public sector and private clients "on a massive scale."

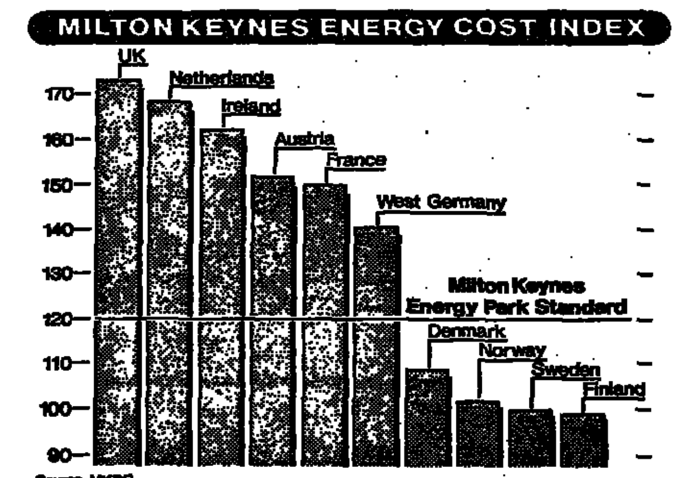
They include more than 60 local authorities, including the City of Liverpool, banks, building societies and industrial sites. Mr Cyril Goldstein, McKinnon and Clark's sales manager, believes that they are still only scratching the surface of their potential market.

McKinnon and Clark claims that it imposes briefer and less onerous contractual obligations on its customers than some of its competitors. It offers a three-year "participation" agreement which clients can end "at any time." It makes its money purely from savings and, unlike other analysts, does not charge a fee.

Inenco, of Lytham St Annes, which prefers to describe its activity as "energy performance contracting," also dispenses with a set fee, and contents itself with a percentage of savings won through its advice. Founded 11 years ago, its prestige customers include British Home Stores, with nearly 130 High Street premises.

Through careful analysis of tariffs, Inenco claims, it is helping BHS to save more than £40,000 a year.

Maurice Samuelson



This four-bedroom house in the Milton Keynes exhibition features a double-height conservatory and a heat exchanger in the kitchen.

Homes

Designs that use the sun

THE JOURNALIST'S favourite informed source, the taxi driver, sniggered on being asked to take me to Energy World—the exhibition of showpiece energy-saving homes put on by Milton Keynes Development Corporation.

"There's not one you could get for much under £50,000 and they go as high as £200,000," he told me. "There's no way I could afford to live there. Even if there weren't any energy bills at all, I still wouldn't be able to buy one as much as I'd like to."

Stephen Fuller, Energy World's director, did his best to explain the incongruity. "About three-quarters of the houses have already been sold and we even had people queuing for days and nights on end for the shared-ownership, lower-priced houses," Mr Fuller says. "In fact, most of the houses cost no more than 1 or 2 per cent more to build than non-energy efficient similar designs, but since they are all for sale and the demand for them has been so great, the estate agents have valued them at well-above the levels we had anticipated."

Working with the Department of Energy and sponsored by the Anglia Building Society, Milton Keynes Development Corporation asked 32 building developers to submit energy-efficient house designs and the end result is the 45 different designs making up Energy World.

They vary from two-person apartments to large detached family houses and the energy-saving features included range from simple but effective draught stripping and double glazing to almost hermetically-sealed buildings heated by heat pumps and high efficiency solar collectors.

One of the primary design features used in all the buildings is not in the structure itself but in their orientation. The corporation laid out the building plots and the roads to them to allow the buildings to take maximum advantage of the sun's energy as it travels its East-West arc.

The homes all have large south-facing, and small north-facing, windows and a significant proportion have conservatories on the south side to act as heat traps.

Energy World's most energy-efficient house—as rated by Milton Keynes' own energy-cost index — is a detached, three-bedroomed house built by Laing Homes. It is described as an "airtight" structure with built-in passive buoyancy ventilation ensuring a continuous ventilation rate, with humidity removed through a mechanical extractor in the kitchen.

In addition, the house features low-energy lighting and other domestic appliances, and a heat pump using off-peak electricity to supply space heating. Exceptionally high insulation ensures that the house's heat loss is almost negligible, resulting in an annual space and water heating energy bill of only £80.

According to the Department of Energy's Energy Efficiency Office (EEO), if every householder of Britain's 20m houses was able to cut his/her energy use by 20 per cent, the domestic sector's annual bill for fuel and power would be slashed from £10bn to £8bn. That would release £2bn to be spent on other things, and Britain's manufacturing industry would benefit substantially.

Further, the EEO says that these 20 per cent energy use reductions could be made without major investments. For example, in a new, low-energy housing scheme in Manchester, additional loft, wall and floor insulation with double glazing, draught strips and centrally located boiler and flue with room-by-room temperature controls added just £300 to each house, and the added cost was repaid in reduced energy bills in two and a half years.

But out of the 20m houses in Britain, one in 13 still has no hot water tank insulation, 3m have insufficient loft insulation, 12m have no draught stripping and only 2m of the 14m houses with cavity walls have cavity wall insulation.

Adding to the problem have been the antediluvian building regulations which, in the past, failed to demand even the most rudimentary of energy efficiency measures in building design and construction, and, in the view of many associated with the domestic energy sector, still fall far short of what is needed.

Milton Keynes Corporation considers that the regulations are neither strict enough nor sufficiently all-embracing and has chosen to develop its own Energy Cost Index (ECI) to provide the energy-conscious housebuyer with a better guide to a house's energy use.

All the relevant data relating to the house's structure, the insulation measures incorporated as standard and the energy used in operating all lighting, heating and appliances, is fed into a computer and a figure produced which becomes the house's ECI regardless of shifts in fuel costs.

The Milton Keynes team which developed the concept calculates that the average index for Britain's housing stock is 170 and that a reasonable figure to aim at is 120 — an average of the indices for all north European countries.

All the houses in Energy World are rated at 120 or better, sometimes by as much as 80 points on the ECI scale (the lower the figure the more energy-efficient the house).

The ECI has attracted much attention and the Department of the Environment (DoE) is currently considering whether it should be used as the central plank of the energy efficiency part of the revamped building regulations.

The Timber and Brick Homes Consortium (TBHC)—representing nearly 100 building companies with a strong leaning towards timber frame construction — strongly disagrees with the index since it incorporates non-permanent energy-using features and takes no account of changing fuel prices.

Instead, the consortium believes that the building regulations should incorporate the TBHC's own Fabric Energy Index (FEI) which relates only to the permanent structure of the building and makes allowance for fuel cost alterations.

A study* carried out for the Department of Energy by a research team from the London Business School and from Addison Research Associates, showed that, in many respects, the building industry is well out of step with consumers' attitudes, especially in relation to the incorporation of passive solar gain considerations in a design.

But it is not only the building industry that needs to take the consumer into account. Studies have also shown that both central and local government, while gearing up appeals to reduce energy consumption by improving its energy use, do little to provide incentives to stimulate the inclusion of energy-saving features.

Local authorities have been providing loft insulation grants for some years but there is no similar scheme to help with cavity wall insulation, draught strip or double glazing.

**Energy Efficient House Design: Customers Choice and Industry Response Survey carried out by Professor Robin Wensley of the London Business School and Caroline Large, Addison Research Associates.*

Mark Newham

Managing Energy 3

New buildings

Fashion has its say

THE SINGLE most significant *factor* which will soon affect energy use in major commercial and public buildings is likely to have little to do with energy efficiency for its own sake, but much more with architectural trends and fashions.

This is because most architects (and other arbiters such as planners) are moving away from glass-and-metal "curtain wall" constructions, which allow highest losses by the very nature of the materials involved, and back to more traditional stone and brickwork which, with much smaller windows, have built-in energy-saving properties.

The glass building is to a large extent a leftover from the 1960s, when fuel was so cheap that nobody worried about the heat losses and large fuel bills. On the contrary: the most serious problem was perceived to be solar gain, the heat of the sun coming into the building.

The class example of the absurdities and wastefulness of some 1960s designs is the Greater London Council's Island Block at Waterloo. This building has automatic controls which ensure that as soon as the sun comes out, dark opaque blinds come down to shade the windows—leaving the interior so dark that electric lights then come on inside.

Unfortunately, as is often the case with major public buildings, they are in the planning and construction pipeline for so long that some emerge already out of date. A good example is the Queen Elizabeth II conference centre in Westminster, which had an eight-year gestation period and is now going through serious teething problems.

Not untypically, of the building's total cost of about £54m, £20m was spent on services, much of it on heating, ventilation and other energy-related items. The four plant rooms with their circulation space take up 15 per cent of the building's total floor area and contain three 1950kw Allen Ygnis boilers, cautiously designed to burn either gas or oil.

For the cooling system, three Carrier hermetic centrifugal chillers generate chilled water. The building also has cooling towers on the roof. These apparent contradictions—the need for heating and cooling at the same time—exist in spite of the building having its own heat-recovery system as well, based on the thermal wheel method.

One of the reasons is the building's many different uses, including TV studios, with varying air environment requirements. It was not designed to be a model of energy efficiency and should perhaps not therefore be blamed for not being one.

A more common type of facility of the modern leisure centre complex, and one of the most advanced recently opened in Newport. It was built in just over two years at a cost of £7.8m and contains a main sports and entertainment hall and a large leisure pool. The multi-use main hall requires a great deal of automation to allow maximum flexibility: seating is electrically-retractable, lighting levels will vary according to usage: 500 lux normally, but 1,000 lux for special events.

A minimum temperature of 16-deg C is maintained in winter, with provision for air changes and account taken of the effects on the internal atmosphere of activities such as badminton.

Inside the new Queen Elizabeth II conference centre. The many uses to which this prestige £54m building is put, with the different requirements involved, have resulted in some apparent contradictions in the design of its heating and cooling systems.

The pool is contained in a 12-sided domed building, designed to best balance energy conservation against the risks of condensation damage. Lighting is a combination of 500 lux for background illumination, with additional "mood" spots and underwater light features.

The pool temperature is high, at 28-30C. Return air from the pool is extracted, filtered, and run round a coil, through an extract fan and via another coil to the heat pump. The overall management system is a Sauter EY2400, kept in a standard office, with alarm provisions for critical situations.

There is normally nothing especially important about a bus workshop, but a recent one in Doncaster is of interest for several reasons. First, because the type of metal shed housing is typical and its energy conservation effort can therefore have wide applications. In addition, the design brief was actually based on an integrated energy design and even extended to include an energy survey of the old building which the new workshop was added to.

The first advantage—dictated not by energy considerations but by the user's requirements—was the simple deep rectangular shape resulting in a low external envelope to volume ratio which reduces heat loss. Although both structural frame and cladding are steel, insulation levels were optimised against cost a 0.4 W/m K, better than current Building Regulation requirements (0.6).

The automatic door through which the buses come and go are located on the same external elevation, reducing "blow through" heat loss.

The old building was heated by four gas-fired boilers. It was decided to keep them and add two solid-fuel boilers for the entire complex. The new boilers have heat-exchangers fitted to their flues, giving a 6 per cent increase in efficiency.

Low-grade waste heat emission in to the boiler house is also used to pre-heat combustion air. During the summer a single gas-fired boiler supplies hot water.

A comparison of the traditional convective heating system in the old building and the overhead radiant system in the new workshop established that the innovative system gave a number of advantages. These were a comfortable working environment with a lower temperature, more uniform heating distribution, and almost instant response, while the wasteful heating of unoccupied spaces is avoided.

The success of the Doncaster experiment demonstrates that worthwhile energy-saving features can be incorporated in the most modest of structures.

Mira Bar-Hillel

Savings in industry

Momentum for change

BRITISH INDUSTRY'S energy efficiency drive has been set back, but not scuppered, by this year's fall in energy prices.

In the words of a senior Government official: "When the oil price collapsed people began by holding their breath. But they have since come back to take the necessary steps."

Supplies of new energy equipment have urged customers to regard the price cuts as a temporary windfall with which to improve their combustion plant and their production costs once prices recover.

They are having mixed results, judging by the state of the main areas of efficiency investment. Orders for heat recovery equipment have been hit hardest. Insulation sales, which have so far held up well, may also soon start feeling the pinch, they say.

On the consultancy front, negotiations between most clients and contract energy managers simply stopped, especially when they would have involved switching from fuel oil to gas or coal.

But demand is still buoyant for new electronic controls. And orders for new boilers and burners, which follow their own leisurely pace, are affected less by the collapse of the oil price than the need to replace them when they reach the end of their lives.

The broader picture, based on decisions and trends predating the oil price fall, also suggests that industry's efficiency drive still has considerable momentum and that, like an oil supertanker, it would travel a long way before being brought to a halt.

Of the £7bn a year which the Government says can be saved in the UK by improved use of energy, some £2bn would be achieved by industry and commerce.

Mr William Macintyre, director of the Energy Efficiency Office, reckons that to date "our efforts over the past three years are showing savings of £500m a year in industry and commerce."

The Government strategy has been based on a programme of surveys to identify areas of big potential savings, their adoption of targets coupled with regular monitoring of performance, subsidised pilot schemes, and the appointment of trained energy managers.

By the end of this year, surveys will have been carried out in some 15 sectors out of an initial list of 20. They include iron and steel, chemicals, paper and board, cement, plastics, foundries, aluminium, food processing, non-ferrous metals, glass, textiles, saw milling, local authorities and retail stores. So far seven sectors have embarked on industry-wide monitoring and targeting projects.

As a result of these surveys—now being carried out at the rate of 3,500 a year—savings worth £200m a year have been identified, suggesting a 40 to 1 ratio between the savings and the costs of the survey and the subsequent monitoring and targeting programmes.

The Government puts up half the cost of the initial survey—up to £500 for brief surveys and £10,000 for extended surveys. The application rate for the longer surveys has been twice as high this year as last—in spite of the oil price change.

The work on a particular sector of industry starts with pilot studies of three or four of its leading members. On the basis of its findings, a report is compiled showing the scope for savings and how they can be achieved. So far, monitoring and targeting programmes are being run in seven sectors.

The penetration rate of these standards depends on the interest shown by individual manufacturers. For instance, the system worked out for the paper and board mills has now been adopted by more than half the industry's sites in the country.

The result is a steady improvement in efficiency. The British Paper and Board Industry Federation says its members last year consumed 1.8 per cent less energy than in 1984 while raising output by 2.5 per cent. The improvement, it says, was due largely to the industry's commitment to the energy management monitoring and targeting programme.

Worthwhile savings are possible for other industries which adopt similar strategies. The food and drink industry has been told it could cut fuel and power consumption by an average of 30 per cent, worth more than £150m a year.

This industry, which consists of nearly 7,000 sites with 25 or more employees, uses about 6m tonnes of coal equivalent a year, or 11 per cent of energy used by manufacturing industry as a whole. With 80 per cent of its energy used for raising steam or hot water, a lot of the savings would be made by better boiler operation and steam distribution.

The soft drinks industry last month began a two-year monitoring and targeting campaign, with £60,000 worth of help from the Energy Efficiency Office. It was preceded by a development phase covering six companies which had cut their energy bills by 8 per cent a year.

Authorising the grant, Mr David Hunt, Energy Minister, said: "If this could be extended across the industry, it would really put a fizz into company profits."

A similar global amount of energy is used by the glass, pottery, bricks and cement industries—some 11.5 per cent of industrial consumption (excluding iron and steel).

They are all energy-intensive, with fuel and power costs accounting for up to 40 per cent of total operating costs. At mid-1986 prices, a 10 per cent cut in energy use would have saved them more than £60m a year.

In the glass container industry, a two-year pilot programme covering five plants achieved substantial savings in several parts of the production process.

The meal manufacturing and processing industries account for about a quarter of the energy used by British industry. In 1984, they used the equivalent of 14.4m tonnes of coal, costing about £1.5bn. About 11.7m tonnes of coal equivalent (mtce) was used in the ferrous sector, while aluminium accounted for 78 per cent of the non-ferrous sector's 2.8mtce.

Both sectors are electricity-intensive, the non-ferrous sector meeting about a fifth of its electricity requirements through its own hydro-electric plants.

The potential for savings in production costs across all the metal sector is, therefore, substantial. On the basis of monitoring and targeting projects with the Government's help, the industry says that energy savings of well over 10 per cent are feasible.

In some cases, savings of up to 50 per cent can be realised by investment in appropriate technologies developed by the gas and electricity industries.

Maurice Samuelson

Specialist consultants

Tenfold growth potential in market

IF BRITAIN really is to attain the goal of reducing its annual energy bill by £7bn through the more effective use of energy as is said to be possible by the Department of Energy, more will be required than simply installing more energy-efficient plant.

Reliable advice on which of the many improved systems is best for particular applications is also needed, backed up by guidance on how best to operate both new and existing power-generating and using technologies.

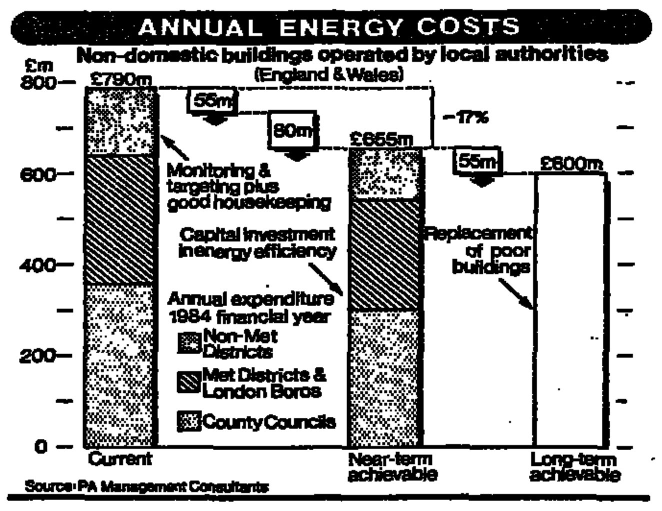
This requirement has spawned a totally new industry — the energy consultants. Before the great energy shocks of 1973 and 1979, such an industry was deemed unnecessary. Energy was simply another useable commodity.

It was not until 1982 that a professional association, the Energy Systems Trade Association (ESTA), based in Stroud, emerged to oversee the infant energy efficiency industry and a further four years was to pass before the association announced the formation of its Independent Energy Consultants Group (IECG).

ESTA's rapid growth rate is an indicator of the growth of the energy efficiency industry in the UK. From the eight original members of the body in 1982, ESTA now has about 90 members representing all aspects of the industry from small consultancies to large companies engaged in improved energy technology development and installation.

Of these, about 30 describe themselves as energy consultancies—more than three times the number of consultancies on the ESTA membership list at the beginning of 1983. Half of the total make up ESTA's recently-formed Independent Energy Consultants Group (IECG) while the others are affiliated with energy technology supply and installation companies.

The IECG members are in no doubt over the potential market for their services. The existing market size for energy consultancies in the UK is running at about £30m a year which, the IECG says, has the potential to grow tenfold. Of today's market, members of the IECG claim 60 per cent with the lion's share going to the most prominent members.



Source: PA Management Consultants

One of these consultancies is NIFES — National Industrial Fuel Efficiency Service — of Altrincham in Cheshire. Set up originally in 1954 as a service offered to industry by the old Ministry of Fuel and Power, the company was bought by its staff in 1971 and has developed to the point at which NIFES describes itself as Europe's leading energy management and engineering consultancy.

Through its offices in nine locations throughout the UK, the company claims to have successfully completed more than 15,000 commissions in virtually all sectors of industry and commerce covering everything from energy monitoring and target setting to project engineering design and management.

A smaller, but no less versatile, IECG member is PA Management Consultants of London. PA's energy efficiency division was set up in the early 1970s and now commands about £2m in consultancy fees each year.

In one of its projects, PA carried out energy surveys at all of the Midland Bank's 1,100 UK branches and, through simple but effective measures, the bank's overall annual energy bill has been reduced by an average of 22 per cent.

At each branch, PA staff investigated the effectiveness of the heating and lighting equipment and controls, computerised the data and produced suggestions—costing no more than £700 for each branch—for how each branch could cut its energy use. The total project cost about £1.3m—half spent on improved energy supply equipment—which will be recouped by the bank in no more than two years in reduced energy costs.

Similar work has been carried out for Trust House Forte's hotels, for British Airways and at 35 paper mills throughout the UK. In each case the savings have proved the value of the advice offered by the consultancy, PA says.

In the public sector, PA has been less active despite its enthusiasm to help both central and local authorities reduce their vast energy bills—an enthusiasm which won the company a contract from the Audit Commission and the Department of Energy's Energy Efficiency Office to carry out a detailed survey of the energy savings potential of local government buildings.

The study, conducted on a representative 30 of the 450 local authorities in the UK and published in 1985, showed that savings valued at £135m a year are possible in local government buildings "without adversely affecting the comfort of building users or the standards of service offered to the public."

These savings, says the report, "can be achieved if all authorities adopt a more organised approach to the implementation of energy efficiency measures, a more effective, systematic approach to managing energy and improve their management information systems."

But despite the undoubted benefits of implementing energy savings methods at local authority level, only a few of the authorities have yet to board the energy efficiency bandwagon. The few include the far-sighted county councils of Kent and Surrey which are now seeing their investments in energy efficiency pay off, but the majority have yet to put the theory into practice for lack of sufficient investment capital for this purpose.

It has been estimated that to reach an energy saving of £1.2bn a year in the public sector, an investment of about £5bn will be required. Many local authorities are keen to start investing large sums to accrue the huge potential savings, but are being blocked by Treasury dictates which prevent such investments being made.

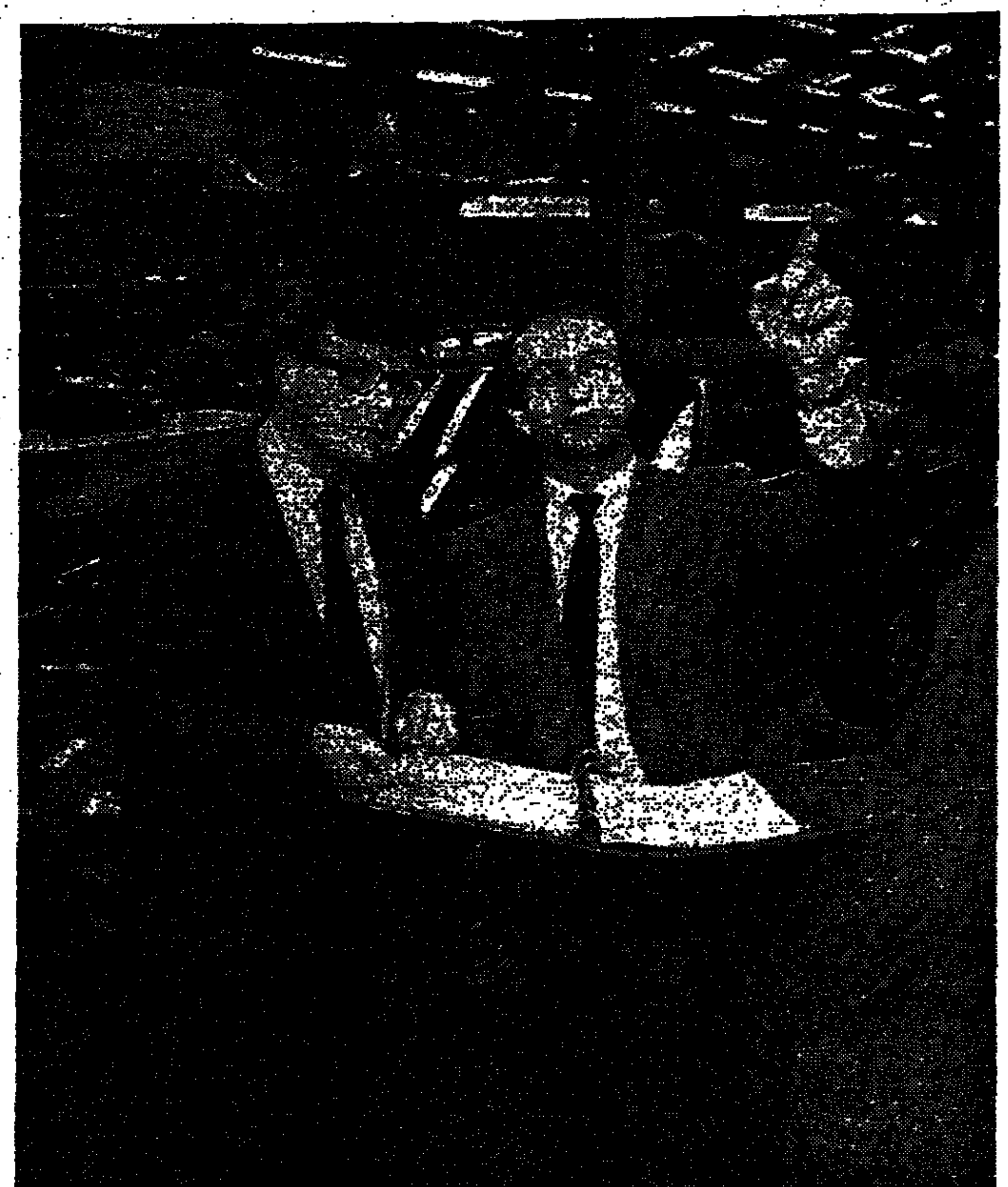
The Treasury is anxious to avoid adding to the Public Sector Borrowing Requirement and appears to be blind to the obvious longer-term savings from the necessary short-term investments needed and the local authorities have suffered as a result.

This is even the case when a third party offers to shoulder all the initial capital cost of energy efficiency improvement projects with the aim of recouping the investment and profit in the process out of the energy savings accruing from the investment.

Such third party financing is now offered by nine companies in the UK which have formed a new breed of energy efficiency consultancies. These are the Contract Energy Managers (CEM). In effect, CEMs offer any organisation wishing to reduce energy use the up-front capital for plant improvement, advice on the type of improved plant to install, a monitoring service to ensure the system is functioning as it should and a full-scale back-up service.

The beauty of the service is that it costs the interested party nothing. The CEM gets its money back from the energy savings it is able to achieve.

Naturally, only extremely well-capitalised organisations are able to become involved in CEM work since the required investments are usually large and the payback period can be up to 10 years. Hence the involvement of companies such as BP and Shell in this sector.



Mr Ritchie Spencer (left) managing director of Reliant Motors, discusses the company's programme with Mr Trevor Thorpe, project engineer at Emstar

The Shell subsidiary in CEM goes by the name of Emstar (Energy Management Services Technology and Resources) and, since it started in this field three years ago, about £10m has been invested in energy efficiency surveys, plant, equipment and monitoring at sites throughout the UK. Emstar expects its investments to pay off over five to 10 years and is currently investing at the rate of some £5m a year.

"With that sort of investment required," says Mr Richard Tinson, Emstar's managing director, "only companies with extensive financial resources and shareholders used to longer-term investments will be able to survive in this field."

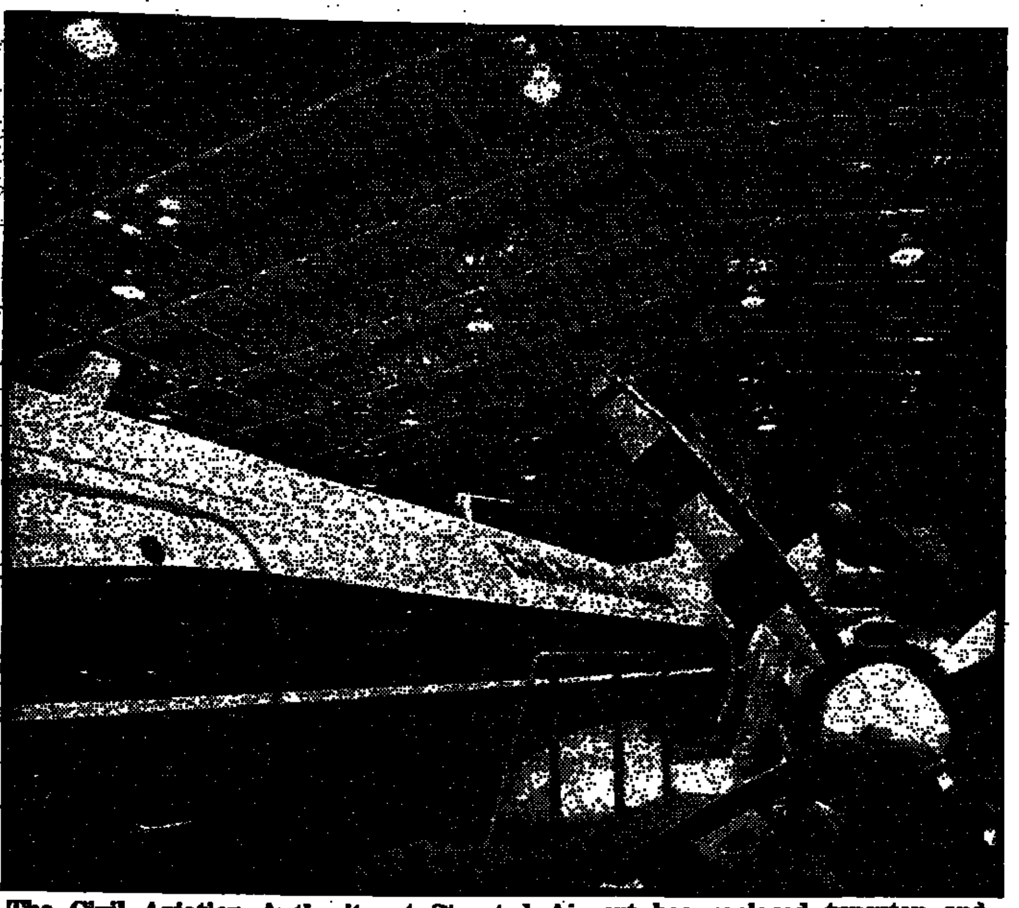
Emstar's investment of £1m at the plant of William Collins, the Scottish book publishers and manufacturers, proves the point. Emstar has agreed to fund the installation of energy efficient equipment, to pay Collins an annual energy rebate of £26,000 over nine years and still make a profit out of the savings on Collins' existing £982,000 a year energy bill.

The private sector remains the dominant sector for CEMs while public authorities are strapped by the Treasury's reluctance to allow them to partake of the services offered by CEMs. But there are signs that the situation might be easing following pressure on the Treasury from the Energy Efficiency Office. Mr Tinson says Emstar has just begun to sign contracts with a small number of local authorities and hopes that this signals a turnround in the Treasury's thinking.

If the Treasury is on the verge of a U-turn, the local authorities in particular will be the main beneficiaries in the long-term. But they should be aware that there could be pitfalls in signing contracts with CEMs. The CEM Group of ESTA originally numbered 11 companies but two have been forced to drop out for lack of sufficient investment capital and as the falling oil price has affected the energy-savings payback time.

If a local authority signs a contract with a CEM which subsequently falls by the wayside, that authority may be put in the unenvious position of having to pick up the financial pieces dropped by the CEM which was underwriting the project.

Mark Newham



The Civil Aviation Authority at Stansted Airport has replaced tungsten and mercury luminaires with energy-saving high-pressure sodium lamps

Lighting

Big cost cuts available

THE COST of electricty for lighting to consumers amounts to more than £1.8bn a year. The Lighting Industry Federation believes that the UK could reduce its bill by one-third without reducing lighting standards but by introducing well-proven cost-effective measures.

About 70 per cent of the nation's lighting bill is accounted for by industry, commerce and the public sector. In some companies where investment in energy-saving techniques have been used, payback periods have been as short as nine months with savings in the total bill of 75 per cent.

The Lighting Industry Federation believes that managers in industry and commerce have displayed a lack of awareness about lighting systems. The federation says that many lighting installations are inefficient and do not make use of modern advances in technology.

Coupled with this, many organisations do not maintain lighting systems effectively. According to Thorn EMI Lighting, the poor standards of maintenance adopted by many organisations often result in a 60 to 70 per cent reduction in efficiency.

In 1985 the Department of Energy, Confederation of British Industry, the Electricity Council and other leading electrical trade bodies sponsored an award for energy management in lighting. The Emilas awards, as they are known, highlight companies where energy-efficient practices have been adapted. For example, winners last year included Dudley Metropolitan Borough Council and the Scottish Exhibition and Conference Centre.

It is now more than 100 years since the first electric light bulb was produced. Now, in industry and commerce, fluorescent forms of lighting tend to dominate as a light source and lamp technology has taken some significant strides forward. Fluorescent technology has been developed to suit more closely internal environments.

Philips' SL lamp which can fit into conventional light sockets has been aimed at the domestic, industrial and commercial markets. This lamp uses only a quarter of the electricity consumed by conventional lightbulbs and last five times longer. Even taking into account the initial high price of such lamps, total lighting costs can be halved through their use.

Thorn EMI Lighting and other manufacturers such as GEC Osram have their own version of this type of lamp. Thorn EMI launched its 2D compact fluorescent lamps in 1981 as a replacement for tungsten lamps of 100W or less. Edinburgh University, for example, replaced 740 tungsten lamps with the 16W 2D compact units and saved £17,000 in the first year.

Another technical development has been high frequency fluorescent lighting. This, says the industry, represents the state of the art. High-frequency systems combine improved lighting with energy savings of more than 30 per cent. They totally eliminated mains flicker which bedevils older systems and is often distracting and distressing for those working in offices and industrial complexes.

Coupled with this, the light is activated instantly instead of after the delay found in older tubes, and the industry has developed smaller diameter fluorescent tubes which consume nearly 9 per cent less energy. Another improvement has been the development of better electronic controls to start the lamp.

High-pressure sodium lamps have gained widespread acceptance in factories, in exteriors and for floodlighting. Son Lamps from Thorn Emi Lighting, for example, are eight times more efficient than a household bulb.

In terms of cost comparison a 300W halogen lamp would cost about £66 to operate over a 4,000-hour period compared with only £17.60 for a high-pressure sodium unit.

In recent years control systems have been introduced as part of energy management systems. Just as electronic pro- [illegible] a domestic or industrial heating system, they can be used to determine where and when lights should be switched on.

The simple energy-saving method is to encourage people to switch off unwanted lights but this really depends on the individual and the company's determination to train its staff. So, remotely-controlled devices such as infra-red, photocells and ultrasonic sensors are becoming popular. A photocell can be used to detect light levels and switch off lights when the illumination exceeds a set value.

Lighting can account for a significant percentage of a company's total energy bill but the proportion can be considerably higher depending on the age and type of lighting system installed.

There are many examples of large savings made by companies which have invested in modern forms of lighting. For example, Philips Lighting installed its integrated function systems at the Shell Centre in London, and in one department alone energy consumption was cut by more than 75 per cent.

The Shell Centre installation is fully-computerised and gives occupants three levels of lighting: natural daylight, manually controlled lighting and automatically controlled lighting that varies according to outside lighting conditions and is switched off outside normal working hours.

Many lighting companies now offer management services to help customers install more efficient lighting. Philips Lighting, for example, has introduced a service which encompasses supply, installation, maintenance and management of a complete lighting system.

The customer simply agrees how much light is required and then pays a quarterly charge once the installation is complete. The client does not have to make any large capital investment.

Elaine Williams

Insulation

Industry debate on the various methods

A GREAT DEAL of time and, yes, energy, is currently being spent debating the relative merits of not only various methods of insulation but also which elements of different types of buildings can be insulated to best advantage. This debate is bound to gather momentum very soon, when the Government publishes its draft new Building Regulations governing thermal matters and consults the industry on the details.

The elements which have generally received most attention are roofs and walls, with floors now coming into the equation but so far more in theory than in practice. Double glazing has long been popular for its fringe benefits but other than in new housing it is still regarded as something of a luxury because of the high installation cost, and it has a very long payback period.

The loft and wall insulation market has the most commercial potential and the most competing manufacturers and installers. In the normally very fragmented building industry they have, remarkably, been able to form themselves into prominent pressure groups which have been in operation for some time.

Eurisol, the UK mineral wool association, was formed in 1962 as the UK arm of its European counterpart EURIMA. It has since been trying to promote the cause of glass and mineral wools not only for thermal insulation but also in terms of fire protection, water penetration prevention and noise insulation.

Its members are the dominant manufacturers in the market: Pilkington, Rockwool and Gyproc.

The same three companies are *also members of* the National Cavity Insulation Association which concentrates, as its name indicates, on tackling its estimated 9m UK homes with uninsulated cavity walls of which 3m also suffer from severe condensation dampness.

Unlike Eurisol, which also has an eye on the industrial and commercial sectors, the NCIA was set up to respond to the major drive to insulate domestic cavity walls following the oil crisis of the mid-1970s.

Also unlike Eurisol, the NCIA's main membership is made up of installers. In fact the association was set up to curb the activities of insulation "cowboys" who were giving the entire industry a very bad reputation in the early boom years.

It tries to maintain standards by requiring members to be registered with British Standards in the case of urea formaldehyde foam installers (which currently have 18 per cent of the total market) and to hold an installers' certificate if they are filling cavities with either mineral/glass wools (46 per cent of the market) or polystyrene beads (18 per cent).

The cowboy installers were largely to blame for the near-collapse of the cavity foam market some ten years gao, but irresponsible press and media campaigns were an important element too. The material does give off irritating fumes as the formaldehyde gas evaporates (so incidentally, does common chipboard which also contains it), which can cause soreness to eyes and throats.

This is why it has always been banned from use in any other than masonry cavities, where the foam would normally be vented to the outside. A number of substandard installations in homes and schools, coupled with untrue press scares, took their toll and cavity foam never fully recovered.

One of the industry's own major faults has long been that in the scramble to sell more materials and installations, it has been reluctant to advise householders to have the job properly (and somewhat expensively) supervised.

According to building surveyor Richard Catt, trouble can arise if the cavity walls are not perfectly sound or at least 40mm wide, if either leaf is of random rubble stonework, or if chimneys are built against the walls and flues can therefore be blocked with foam. In addition, there are geographical limitations of very exposed areas where cavity filling is not recommended or even not permitted.

Richard Catt and fellow surveyors have also taken on the challenge of trying to improve the very low insulation levels of the UK's 8m houses with solid brick walls.

These houses can be laboriously insulated internally, by laying insulation materials (almost invariably mineral wool sheeting) between battens under a vapour check and covered with plasterboard, or by fixing insulation board and plasterboard "sandwiches" directly to the wall with plaster dabs.

The main drawback is that during this process the dwelling will be uninhabitable, so it is only an option in cases where wholesale refurbishment is taking place.

More promising is external insulation, which combined improved thermal performance with fringe benefits such as keeping out the driving rain which can penetrate single brick walls, especially ones that are old and porous with elderly pointing on exposed elevations.

The External Wall Insulation Association has six members offering systems based on four basic principles:

- Mineral fibre slabs fixed to the outside walls and covered with metal lathing and render;
- Layers of solid insulation bonded or fixed to the walls and reinforced with metal, then protected with thick rendering;
- A layer of polystyrene or similar polymer is bonded to the wall, reinforced with fibrous mesh and protected with a polymer scratch coat and finishing coat or render;
- A lightweight insulating render is trowelled on to the wall and finished—suitable for very uneven surfaces.

The member companies, including Coolag, Foamglas, Disbotherm and Permoglaze, offer these options singly or in combinations. A Code of Practice is now being prepared for external wall insulation which it is hoped will form the basis of a new British Standard.

According to Mr Andrew Warren, diretor of the Association for the Conservation of Energy, the insulation of floors has "become one of the Cinderella areas" of insulation, not covered by any existing regulations and therefore responsible for almost a quarter of all energy loss in homes. The association has been campaigning for better floor insulation for more than 18 months.

Possibly in anticipation of the growing interest in floors, Dow Construction Products has introduced Floormate extruded polystyrene foam insulation boards, suitable for most floors, both concrete and timber, for which they suggest a payback period of less than four years.

Mira Bar-Hillel

Government proposals on the way

DRAFT government proposals on recasting Part L of the Building Regulations are now ready to go out for consultation. They will be lengthy and comprehensive and will afford plenty of scope for all interested parties to have their say.

The essence of the new draft is that the thermal regulations need to be brought into line with other Building Regulations, which in the past few years have been totally recast on the basis of replacing stringent and relatively inflexible rules and guidelines by basic "functional requirements."

These are backed by non-statutory Approved Documents containing examples of how the requirements may be satisfied. But designers and builders may also devise their own solutions provided they can convince local authority building control officers that their solutions are within the requirement.

The advantage is that because they are not statutory, Approved Documents may be updated and amended without recourse to Parliamentary approval.

The functional requirement for thermal performance may also be changed in another way. Instead of laying down specific requirements in terms of U-Values (thermal resistance) for walls, roofs, floors, windows and so on in isolation, there is a move towards giving a single overall value. This could be perhaps 20 per cent higher than now, but allowing for greater flexibility to individual designers and builders as to how to achieve these overall figures.

Another proposal which will cause much debate is to bring commercial buildings into line with houses for thermal insulation purposes.

Electronic systems

Microchip brings optimum control

A TRANSFORMATION has taken place in the buildings of Britain in recent years under the influence of two coincidental developments.

One was economic—the energy crises; the other was technological — the increasing power and plummeting cost of the microchip. New attitudes towards conservation engendered by one, allied to fresh technological opportunities offered by the other, are changing out of all recognition the way building services and energy are managed.

In the old days BC—before the chip—control of heating and ventilation in factories and offices consisted in not much more than stoking up the fire and opening the window, while energy conservation as a working practice was in embryo, awaiting the end of the age of cheap oil and squandermania attitudes.

Now it has come into its own. Electronic energy management systems (EMS) took off from the realisation that 20 per cent of the primary energy consumed in the UK was used in non-domestic buildings for space and hot water heating, lighting, air conditioning and power.

By raising the efficiency of energy used through improved monitoring and control techniques, consumption could be reduced by as much as 30 per cent. Energy management systems could be used for automatic control of lighting, heating, electrical load, air conditioning and boilers, offering energy saving over conventional good practice in four main ways:

- By automatically switching plant on and off according to actual requirements;
- By optimising the use of plant such as heating, boilers and chillers to maintain peak efficiency;
- By improving operation and maintenance through detecting faults;
- By giving management a powerful tool for energy auditing.

In 1980 a new type of energy management business grew up almost overnight with small, entrepreneurial companies such as Trend, JEL and Potterton seizing the opportunity offered by the ever-cheaper microprocessor. By 1985, as a report by Proplan showed, EMS had not only developed as a new business but "was now a central core for many other management information systems in buildings."

The report also showed that EMS was changing the structure of the heating, ventilation and air-conditioning controls market because the chip was equally available to all and size of operation was not critical to trading successfully in the market. The small innovative Building Energy Management System (BEMS) companies faced problems of financing rapid growth, major product development programmes and a high level of promotion in relation to turnover.

Some have gone under but the survivors are reaping rich rewards and are poised to move into overseas markets and gain a share of a European market, expected to grow by 70 per cent by 1990 to $230m.

Such is their growth that what began as simply energy management systems is "migrating" into the area of total building services control, threatening the traditional markets of the large established control companies such as Johnson Controls, Honeywell, and Satchwell, which have lost a share in the retrofit market.

The big companies nevertheless still have a strong hold on the new building sector where consultants still tend to speak the language of electro-mechanical controls for heating, ventilating and air conditioning (HVAC) to traditional suppliers, but the language of electronic controls is becoming increasingly difficult to ignore.

The development of Trend as a company exemplifies the pace of change. Initially most of their revenue came from selling to owners of existing buildings who wanted to reduce energy costs. Since then the balance has shifted and most of the company's output is now destined for new buildings to take the place of conventional controls.

Trend has just merged with the MK Electric Group who will finance further expansion at home and abroad.

The small EMS companies are cashing in on the basic fact that controllers which cost £10,000 in 1981 cost £1,000 in 1986. With such dramatic reductions in cost virtually any non-domestic building is now a suitable case for electronic energy management treatment.

One of the main advantages of energy management systems is that they can control more than one building. For example, a pilot group of 50 branches of Barclays Bank in South East England is testing the feasibility of distributed intelligence techniques, using microprocessor - based intelligent outstations, supplied by JEL Energy Conservation Services, installed in each branch to monitor and control building services.

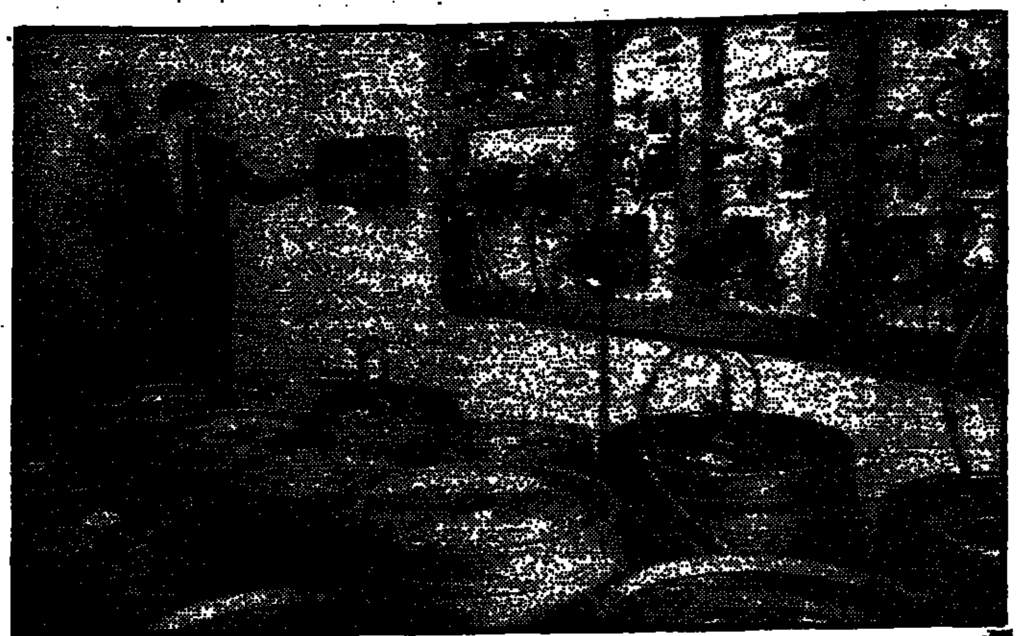
Each outstation is connected, via the telephone network, to a central supervisory station in the bank's headquarters. The system is expected to pay for itself through energy savings.

The Singleton Hospital in Swansea, built 20 years ago before the era of high fuel costs, suffered from inadequate heating controls. Drayton installed an energy management system to control heating in 24 zones and maintain constant temperature in the day and cut out unnecessary parts of the heating, reducing energy consumption by 10 per cent. The system has now been extended to link the outpatients department, the operating theatre and a satellite hospital a mile and a half away.

The new Lloyd's Building shows how the newer companies and the big established ones are increasingly treading the same marketplace. The Johnson Controls building management system which oversees the building services, is linked to a lighting control and energy management switching system provided by Energy Conservation Systems, with flexible programmable architecture and glass fibre optic links.

Potterton Energy Controls, another of the small companies in the field which began making low-cost energy controllers, has just completed a contract in the new Debenhams store in Preston which not only monitors external and internal temperatures, electricity and gas consumption, and raised alarms but controls more than 4,500 lights in the 78,000 sq ft store.

Such is the pace of technological change that even the very latest modern buildings can be "out of date" before they are finished. The new Queen Elizabeth II Conference Centre in Westminster was built around a £2.5m energy management and control system for Sauter incorporating 2,600 measuring and control points. If it were being designed today the system would incorporate direct digital control and stand alone intelligent outstations.



The wall-mounted electronic heating controller, developed by Trent Technology, is designed to enable business users to achieve significant savings

The extra flexibility given by direct digital control systems is particularly relevant in transforming the traditional heating and ventilation controls, and is itself an advance on basic management systems, directly powering actuators on the basis of calculations received from sensors, offering control options not economically feasible by the earlier method of using the BMS to change control setting on traditional electrical or pneumatic control devices.

The majority of EMS have gone into existing buildings as retrofit, performing such cost effective functions as optimum start/stop and time of day control, but they have not taken over the function of the temperature controls already in the building; this has been done by independent discreet controllers. The true DDC system is able to provide direct and accurate control of temperature.

With building energy management systems Britain matches and even leads the rest of the world. The new and dynamic companies are poised in what is essentially a pioneering market which has yet to take off in a big way. It is a success story in waiting.

Ken Cooper is Editor of Energy Manager

Ken Cooper

Petrol and oil

More savings claimed in new products

FOR THE last 10 years hundreds of researchers have been at work making cars run on less petrol and use less oil. This year, tribology—the science of lubrication—has come into its own, with all the major oil companies launching new products which claim to be still more economical both on petrol consumption and on consumption of oil, as well as cleaner and kinder to the engine.

This year it has not just been the tribologists who have been hard at work, but their counterparts who design the fuel itself.

Until recently the battle for better products had been waged chiefly through sales of oils, with petrol regarded more as a commodity, with one brand as good as any other.

Shell challenged that assumption in May this year with the launch of Formula Shell, a new petrol claiming to give better all-round performance.

A reduced consumption of petrol is one of Formula Shell's strongest selling points: the company says that motorists can expect fuel savings of about 2.3 per cent. These are supposed to rise slightly the longer a car runs on the new petrol and after a year of use are said to rise to about 3 per cent.

Such savings are fairly minor compared to those wrought by the car manufacturers, which since the first oil shock in 1973 have been channelling considerable effort into producing increasingly fuel-effiencent engines.

In seven years, from 1978 to 1985, the number of miles per gallon achieved by the new average car off the production lines increased by 20 per cent.

That stemmed at least from the efforts by the oil companies to produce more efficient lubricating oils. Much of their research has resulted from pressure from the big car makers, who want to achieve the highest possible number of miles per gallon for their new models.

While the car manufacturers have reduced fuel consumption by cutting the weight of their cars and by reducing aerodynamic drag, lubricants have achieved greater efficiency by reducing the amount of power lost within the engine. There is great scope for saving since a large part of the total power produced is used up through friction in the bearings or between the piston rings and bores.

This kind of friction can be lessened by reducing the viscosity of the oil — which means making it thinner and hence cutting its own "drag," or internal resistance.

The move to thinner oil is not new, and was started more than 10 years ago. The problem facing the oil companies—and one which they are only now finding a satisfactory answer to — is how to keep the oil thin, and yet ensure that it still protects the engine.

Some of the fuel-efficient oils developed in the 1970s simply did not offer the engine enough protection. This got worse as new engines were introduced—turbos, for example—which have placed greater demands on the oil.

The solution has been to come up with a much better quality base oil. Oil companies have taken two routes. Some like BP have produced superior base oils through improving their refining techniques. Others, like Mobil, have started using synthetic oil, which allows the fluids to perform well at both low and high temperatures.

Oil companies vary in the extent to which they promote their new oils in terms of efficiency, or a cleanliness, increased power output, less need for oil changes, or better engine protection.

However, most of the new breed of low-viscosity oils do lower the fuel consumption by up to 3-4 per cent. Although the saving sounds small—according to the calculations of Mr Ken Huggins, BP's senior applications engineer of lubricants, the saving is equal to two to three weeks of free motoring a year for the average driver.

Even so, the British motorist still needs a lot of convincing. About threequarters of drivers buy the cheapest oil available, either the bottom of the range of major brand names, or the still cheaper "own brand" oils.

This may be because the difference in price is obvious to even the most casual customer. A gallon of multigrade oil in a supermarket might cost about £5, compared to about £8 for superior low-viscosity products.

However, as the fuel savings so quickly eliminate this price difference the reluctance of the consumer to pay more might seem shortsighted.

Mobil's new product, Mobil 1 Rally Formula, is particularly expensive, at about £13 for four litres. The oil is claimed to give better cnosumption and better all-round engine protection, but Mobil advises that it is not something to be poured down the throat of an old banger, but, its use will pay off for any new car.

Engine oils have become so sophisticated that it is hard to see how the quality could be improved further to allow them to get thinner and thinner. "It is going to get tricky over the next few years to go on making improvements to efficiency," says Mr Adrian Black, auto products manager at Shell.

One problem is that energy efficiency, both in car engines and in oils, is increasingly in conflict with demands for lower pollution.

No doubt car engines will go on demanding more from oil, while the UK Government is likely to fall into step with its more environmentally-minded European counterparts to reduce emissions. This could reduce or even reverse the scope to make oils thinner and more efficient.

Lead-free petrol, which is gradually being introduced in the UK, is better for the environment but worse for the car engines and about 3 per cent worse than ordinary petrol on fuel efficiency.

So far, UK drivers have shown no desire to fill their tanks with lead-free fuel—indeed most stations selling it can count the number of gallons sold so far on one hand.

However, lead-free petrol still costs a few pence extra and if it is given a boost from the Chancellor in next year's Budget, its use could take off.

Lucy Kellaway